

FINANCIAL TIMES

SOVIET MEDIA

Fertile pickings for news-hounds

Page 4

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FT No. 31,567

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Friday September 27 1991

World News

Business Summary

Romania in turmoil as protests continue

Romanian prime minister Petre Roman last night reversed an earlier decision to resign, saying a communist coup was underway and he would stay in power until order was restored.

His dramatic change of mind came after a day on which demonstrators had ransacked Romania's parliament and besieged the television station. The protesters smashed furniture in the parliament building and called on President Ion Iliescu to quit. Page 18.

UN accepts Iraq deal

The UN Security Council agreed to Baghdad's demand that an agreed list of documents on Iraq's nuclear programme should be drawn up before a UN nuclear inspection team is released. Since Tuesday, Iraq has forbidden the UN team to leave Baghdad and its inspectors were loading documents about Iraq's nuclear plans. Earlier report, Page 6.

PLO decision

The Palestine Liberation Organisation has dropped its insistence on naming the delegation to proposed Middle East peace talks. PLO officials said Palestinians would attend the talks as part of a Jordanian-Palestinian delegation. Israeli fire at PLO, Page 4.

Georgia stand-off

Violence seemed likely in Tbilisi, capital of Georgia, after opposition troops ignored a government-imposed deadline to hand in their arms. Rebel national guardsmen were preparing for a possible government attack on their stronghold. Page 2.

Trouble in Zaïre

French and Belgian troops fanned out across Zaïre to protect foreign nationals isolated amid rioting and looting. Thousands of foreigners have already fled the country. Losing faith in Mobutu, Page 8.

Indian students protest

Indian students stoned buses in New Delhi in protest against plans to reserve jobs for low-caste Hindus. Similar protests last year brought 158 deaths and contributed to the downfall of V.P. Singh's government. Kashmiri mass, Page 4.

Dying woman's plea

Dying AIDS victim Kimberly Bergalis, who caught the disease from her dentist, appeared at a US Congressional subcommittee to call for health care workers to be HIV-tested.

Invitation withdrawn

Frankfurt Book Fair withdrew invitations to Iranian publishing houses. German publishers objected to their presence because of the continuing death threat against British author Salman Rushdie.

US poverty

US census figures show 33.6m or 13.5 per cent of US residents lived in poverty last year. Poverty is defined as gross earnings of less than \$13,369 for a family of four.

Daily turns weekly

Finland's oldest daily newspaper, Uusi Suomi, will go weekly next month to save money.

Saudi Arabia threatens to quit Opec over output

Serious disagreement emerged at the Organisation of Petroleum Exporting Countries meeting in Geneva, when Saudi Arabia, world's biggest oil exporter, threatened to leave the cartel. The Saudi oil minister had been pressed hard to pledge to cut Saudi oil production by next year.

Suspension of the Saudi output quota during the Gulf war stopped prices falling \$40 a barrel. Now many Opec ministers want the Saudis to promise a cut in output. Page 18.

US: White House claims that the economy is steadily recovering were undermined by revised figures showing a large fall in gross national product in the second quarter. Page 18. Budget compromise strains at the seams, Page 5.

FIAT, Italy's biggest private industrial group, reported a fall to L1,455m (\$1.16bn) from L2,454m in first half pre-tax profits, in spite of a large one-off gain from the sale of two subsidiaries. Page 19.

IMPERIAL Chemical Industries, biggest UK manufacturer, is splitting the role of its chairman for the first time and plans to re-allocate responsibilities of executive directors. Page 19; Lex, Page 18.

AIRBUS Industrie, European aircraft consortium, is expected to make a strong case for development of a smaller derivative of the A320 twin-engine airliner. Meanwhile, the US and the EC failed to resolve a row over aircraft industry financing centring on Airbus, but indicated direct talks could continue. Page 8.

TRADE: The European Community imposed a provisional anti-dumping duty of up to 54.9 per cent on imports of fax paper from Japan.

VICKERS, UK engineering group, fell to a £4.4m (\$7.5m) first half pre-tax loss, mainly because of a sharp downturn in demand for its Rolls-Royce and Bentley cars. The loss compares with a profit of £39.5m a year earlier. Page 19.

AEG, German electrical and electronics company, faced with another DM200m (\$119m) deficit this year, has given itself four weeks to dispose of its biggest loss-maker, the Olympia office equipment subsidiary. Page 19.

PEPCOR, South African retail group, appears poised to take over Checkers, one of South Africa's three biggest supermarket chains, in a deal believed to be worth about R120m (\$42.6m). Page 21.

VALEO, French car components group, saw a 47.3 per cent slide in first half net profits and warned it did not expect an improvement in car industry demand until 1992. Page 20.

CERUS, French holding company controlled by Mr Carlo De Benedetti, Italian financier, announced a FF7315m (\$55.2m) first half net loss after heavy finance charges. Page 20.

PARIBAS, French investment banking group, saw a steep rise in operating revenues offsetting a fall in capital gains to produce little change in first half net profits at FF2.05bn (\$350m). Page 20.

Manufacturers ask Brussels to foster a strong European market EC computer strategy urged

By Alan Cane in Venice

LEADERS of Europe's ailing computer manufacturers called for action from Brussels to ensure the survival of a significant European information technology industry.

The chief executives of Groupe Bull of France, Olivetti of Italy and Siemens-Nixdorf of Germany united on a conference platform in Venice to complain they were at a disadvantage compared with their US and Japanese competitors.

These, they said, enjoyed the benefits of a strong home market and appreciable co-operation between the public sector and the computer industry.

In these countries, they added, more than 50 per cent of public contracts routinely went to domestic companies. In Europe, European-owned com-

panies had only a 30 per cent share of the market for public sector computer projects.

Unless European computer companies could build a more sympathetic relationship with the public authorities in the unified European market after 1992 the outlook was bleak, they warned.

Mr Francis Lorentz, chairman of Groupe Bull, said he was not seeking protection or fortifications around Europe, but a coherent policy from Brussels leaving no doubt as to the importance of the industry.

Among other measures, they asked for involvement at an early stage in the planning of European-wide information technology projects, which would give them a good chance of securing final contracts.

Mr Hans-Dieter Wiedig, chief

executive of Siemens-Nixdorf, said: "If European suppliers are chosen as partners in cases when they meet the demand with technically suitable products, the chances are good for Europe to deal with the challenges of the 1990s."

The worldwide computer industry is in crisis through a combination of technological change and recession. But Europe's manufacturers, with their small, heterogeneous markets, have been particularly hard hit. All are losing money.

The Venice accord was spilt by a behind-the-scenes row which indicates the level of resentment still simmering over the sale of Britain's ICL to Fujitsu of Japan last year. It is clear that the UK-based company is regarded as a Japanese

Trojan horse. ICL has made it clear that it regards itself as a European company with a Japanese majority shareholder.

The conference organisers had planned a roundtable discussion which would have included Mr Peter Bonfield, ICL chairman. Following threats to boycott the conference from the European-owned manufacturers, the discussion was abandoned in favour of individual presentations.

Mr Bonfield's presentation - where he argued for a strong European home market - was moved to a session including speakers from Digital Equipment and International Business Machines of the US.

Mr Lorentz pointedly included ICL among Japanese companies with which Groupe Bull had collaborative agree-

ments. Mr Vittorio Cassoni, Olivetti managing director, referring to Europe's weakness in computer technology, said the Commission should not spend money attempting to catch trains that Europe had already missed.

Europe could still base a successful information technology industry on software and services which in 1990 was a \$40bn business in Europe.

Mr Michel Carpentier, EC director general for the information technology industries, said the Commission was negotiating with Japan and the US to achieve a better competitive environment for European companies.

However, he warned that the competitive initiative would have to come from the companies themselves.

Bond on course for bankruptcy court hearing

By Kevin Brown in Sydney

EIGHT YEARS to the day after he became the first non-American to win the America's Cup yacht race, Mr Alan Bond faced the future yesterday in the car park of a Perth police station.

Mr Bond - the London-born signwriter who built Bond Corporation Holdings into one of Australia's highest profile corporate raiders before it crashed last year - apparently drove to the police station for protection after noticing his Range Rover was being followed.

However, the pursuer turned out to be a process server employed to deliver a court notice requiring Mr Bond to repay a debt of US\$194m to Hongkong Bank of Australia.

Officials had been searching for Mr Bond since Tuesday, when the bank filed the notice at the federal court in Sydney following a judgment that the debt was enforceable.

"Mr Bond came to the station because he was fearful - he didn't know who was following him," said an officer at suburban Nedlands police station. "He said the guy did not introduce himself, he just threw the notice at him and said: 'Here, this is for you.'"

The officer would not confirm that Mr Bond had claimed the process server tried to run

his car off the road.

Mr Bond was not available for comment, but his secretary said he had received the notice, which gives him 28 days to repay the debt or face bankruptcy proceedings.

The serving of the notice may turn out to be one of the last acts in the saga of Mr Bond, who became a national hero on September 26 1983, when his yacht won the America's Cup. However, his financial problems mounted after the global stock markets crash in 1987, and on the same date last year he resigned as chairman of Bond Corporation.

Less than two years ago, Australia's Business Review Weekly magazine estimated his personal wealth at A\$100m. Now the Rolls-Royce has gone, the furniture has been sold to pay legal fees, and Mr Bond lives rent-free in his mansion courtesy of a trust fund.

Mr Bond claims the judge misunderstood his financial position, and says he intends to appeal against the order instructing him to repay the debt.

Nevertheless, bankruptcy proceedings seem likely to begin in a month's time.

Mr Bond also faces charges of dishonesty relating to share dealing in Western Australia.



Alan Bond leaves a suburban Perth police station after lodging a complaint about the behaviour of a court official who served a bankruptcy notice on him

BAe to pay ousted chief around £300,000 a year

By Robert Peston in London

BRITISH Aerospace will continue to pay Sir Roland Smith substantial consultancy fees, likely to be £300,000 a year, until May 1993, even though he has been ousted from the chairmanship of the UK automotive and aerospace group.

He will not receive any compensation or advance payments, according to one of the company's advisers. However, he will continue as a consultant to the company. "None of his existing financial arrangements with BAe will change", the adviser said. He added that it was not clear whether Sir Roland would provide any services to the company in return for the remuneration.

In 1990, Sir Roland earned £313,000. Included in this were £300,000 in consultancy fees which were paid to Sir Roland's company, Roland Smith and Associates, in respect of the services Professor Smith rendered as Chairman.

Sir Roland's resignation was confirmed formally at mid-

night on Wednesday night, after day-long negotiations with the rest of the board. He will be replaced, temporarily, by Sir Graham Day, who has been chairman of Rover, BAe's car manufacturing subsidiary.

Asked how long Sir Graham would keep the job, an adviser said: "We cannot rush the search for a chairman."

Sir Roland's departure came as a result of pressure from non-executive directors, in the wake of a rights issue and a warning from the company that its profits would be half what the City had been expecting.

"They did not hold him responsible for the collapse in profits, but felt his management style - in particular his

zeal for takeovers - was no longer appropriate in a recession."

"It became obvious two weeks ago that the board was against him," commented one of Sir Roland's friends yesterday. The board's conviction that Sir Roland should go was stiffened on Sunday, when two UK newspapers carried reports of attempts to oust him. Until then, it was likely that Sir Roland would have stayed until after the completion of the rights issue.

But the board and its advisers became convinced reports of a boardroom split would lead to a collapse in British Aerospace's share price. They were concerned that shareholders would not take up their rights, leaving the new shares with underwriters.

British Aerospace shares yesterday edged up 3 to 426p, remaining only 48p above the rights issue price of 380p. Although the rights issue is fully underwritten, it remained uncertain whether the issue would be a success.

Weekend FT

Tomorrow: The rite stuff: Lyall Watson on the appeal of Sumo and its rituals

The golfing joker in Europe's Ryder Cup pack



The man who would be the UK's chancellor of the exchequer

In Britain, as a general election looms, the opposition spokesmen on the economy, John Smith, explains what policies the Labour party would adopt after more than 10 years of Tory rule. Page 11.



CONTENTS

Zaire: Military intervention by Belgium and France could save President Mobutu	6
United Nations: Iraq is once again the centre of attention in the halls of the UN	6
Opec: Paper compromise allows oil ministers to put off difficult decisions	30
Ukraine: Economists are plotting a go-it-alone strategy for the breakaway republic	2
Estonia: Herbouring hopes of ravaging its maritime heritages	4
Switzerland: Gatt complains that the Swiss model is flawed by cartels	8
Technology: Japanese manufacturers era battling to produce colour laptop computers	13
International	8
Companies	21
Commodities	50
America	5
Companies	22
World Trade	5
Britain	11
Editorial Comment	18

MARKETS

STERLING New York lunchtime: \$1.7325 London: \$1.733 (1.7335) DM2.915 (same) FF9.635 (9.5975) SF2.54 (same) Y221.5 (231.0) £ index 89.8 (91.0)	GOLD New York: Comex Dec \$354.1 (\$36.3) London: \$351.95 (\$32.75) N SEA Oil (Argus) Brent: Nov \$20.725 (\$20.525)	DOLLAR New York lunchtime: DM1.68325 FF9.7345 SF1.4645 Y133.655 London: DM1.6825 (same) FF9.7325 (same) SF1.465 (same) Y133.5 (133.25) S index 84.8 (84.8) Tokyo close: Y133.43 US exchange rates Fed Funds: 6 3/4% 3-mo Treasury Bills: 5.284% Long Bond: 102 1/2 yield: 7.902%	STOCK INDICES FT-SE 100: 2,585.8 (-2.2) FT Ordinary: 2,025.2 (-3.7) FT-AIR Share: 1,297.16 (same) New York lunchtime: DJ Ind. Av. 3,024.37 (+3.35) S&P Comp 386.61 (-0.27) Tokyo: Nikkei 23,988.08 (+390.65) LONDON MONEY 10 1/4% (10 1/4%) Lite long gilt future: Dec 95 111 (95.3)
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EUROPEAN NEWS

Georgian capital again on the brink of armed conflict

By Neil Buckley in Tbilisi

OPPOSITION troops in Georgia ignored a government-imposed deadline to hand over their arms last night, leaving the capital, Tbilisi, again on the brink of armed conflict.

Rebel national guardsmen prepared for a possible government attack on their stronghold in the television centre, positioning a howitzer at the top of the wide approach road, and blocking it with buses and lorries.

Pro-government guardsmen and special troops began to leave their temporary base in the courtyard of the main government building for an undisclosed destination.

Roadblocks were set up by government troops on all roads leading to the TV centre, checking vehicles for arms.

President Zviad Gamsakhurdia warned that measures would be taken against opponents who refused to hand over their weapons. Speaking shortly before the deadline

passed, Mr Gamsakhurdia said: "We will try to avoid bloodshed. But this is terrorism, and you know what terrorism means."

"We will use the methods all governments must use to fight terrorism," a government spokesman was evasive about whether the opposition headquarters in Georgia's television centre would be stormed, but said he did not believe Mr Gamsakhurdia was preparing to give such an order.

He was confident that the majority of the opposition, which was beset by internal divisions, would hand over its arms.

At the television centre, there was little evidence of a split in the opposition, as a crowd of around 4,000 people demonstrated their support.

Earlier, Mr Tengiz Kitovani, commander of rebel national guard units, claimed government troops had tried to attack

the guard's base at Shavna-bada, just outside Tbilisi, in the early hours, but had been driven back. Three people were said to have been killed.

The government denied the allegation, and the city's only mortuary said it had received no bodies.

The government in turn accused the opposition of several acts, including firing on Mr Gamsakhurdia's residence. Mark Nicholson adds from Moscow: At least three people have died in clashes in the disputed enclave of Nagorno-Karabakh since the leaders of Armenia and Azerbaijan agreed to call a ceasefire in the region and start peace talks.

The violent exchanges, which include stonings, shootings and the shelling of Stepanakert, capital of the disputed territory, highlight the difficulties faced by the presidents of Armenia and Azerbaijan in enforcing the ceasefire brokered earlier this week by Mr

Boris Yeltsin, president of Russia.

Tass, the news agency, reported that two Armenians were shot dead near Stepanakert on Wednesday by forces it described as Azerbaijanis in military uniforms.

Armenian groups responded by overturning a bus on the road south from Stepanakert to Shusha, an Azerbaijani village in the predominantly Armenian Nagorno-Karabakh.

An Azerbaijani inspector who visited the scene was later shot and killed when Armenian groups fired and threw grenades at his car, three other Azerbaijanis were wounded.

Sporadic shooting was reported to have continued in the region throughout the rest of the evening, and at least eight shells were fired from Shusha into Stepanakert during the late evening. One of these was reported to have hit a children's hospital and injured a young girl.

Shevardnadze warns of 'danger' as he joins Gorbachev's council

By Mark Nicholson in Moscow

MR Eduard Shevardnadze, the former Soviet foreign minister, has agreed to join a new council of advisers to President Mikhail Gorbachev to oppose the continued "menace" from hardline forces in the country.

Mr Shevardnadze, who accused Mr Gorbachev of culpable negligence over last month's failed coup, said he now believed the Soviet president was "vigorously" committed to radical reform and considered his own appointment to the new Presidential Consultative Council a "high honour".

The nine-member body, which Mr Gorbachev named late on Wednesday, is a mix of radical reformers and long-time Gorbachev allies and, although its precise brief

remains unclear, is designed to shore up the executive power of the presidency.

Among the nine are five founder members of the Democratic Reform Movement, including Mr Shevardnadze, Mr Alexander Yakovlev, one of the architects of perestroika, Mr Gavril Popov, the mayor of Moscow, and Mr Anatoly Sobchak, mayor of St Petersburg.

The council also includes several Democratic leaders close to Mr Boris Yeltsin, the Russian president, and is seen by many as both a bridge between the Kremlin and the Russian "White House" and an attempt by Mr Gorbachev to identify himself more closely with the leading forces of reform.

Mr Shevardnadze told Tass,

the news agency, yesterday that he saw it as his duty to join other reformers on the new council in helping stabilise the country.

"The menace has not been removed," he said. "It is mounting. There is danger that the positions of the right-wing, reactionary forces will strengthen."

Mr Shevardnadze's first role is to head a delegation to negotiate with Lithuania on the terms of the Baltic state's residual ties with Moscow and Lithuania yesterday welcomed his appointment.

Mr Gorbachev also named Mr Sobchak and Mr Yakovlev as special envoys respectively to Estonia and Latvia to start negotiations - so far the new council's only defined task.

Anthony Robinson adds: The most vocal advocates of democracy before the abortive Soviet coup have been forced to re-establish new forms of direct executive power to forestall the risk of an authoritarian backlash provoked by the ungovernable situation and economic collapse, a senior Soviet political analyst.

The decision by Mr Boris Yeltsin to emulate Czarist practice and directly appoint "prefects" to act as his eyes and ears in the big cities and far-flung provinces, and the more authoritarian positions taken by the mayors of Moscow and St Petersburg, were all part of this trend.



Croatian militiamen who have been involved in continual clashes with Serbian forces for the past few days around the town of Bilje

Carrington hopeful on Yugoslav ceasefire

By Ronald van de Krol in The Hague

LORD Carrington, chairman of the Yugoslav peace conference in The Hague, said yesterday he would accelerate efforts to strengthen the ceasefire.

The conference, meeting for the first time since it was adjourned last week because of heavy fighting in Croatia, is to set up working groups - on constitutional matters, minority rights and economic relations between the republics.

Lord Carrington said there were now "hopeful signs" of improvements on the ground. "The ceasefire, though fragile, seems to be holding," he said after two hours of talks with the foreign ministers of the six Yugoslav republics and the Yugoslav foreign minister.

Starting next week, the working groups are to meet in nearly permanent session in The Hague. Two previous groups on human rights and constitutional matters had met only sporadically.

"We came to the conclusion that the ceasefire was holding sufficiently for us to go on with the conference and to accelerate it in so far as it is possible to do so," he said.

"We believe that by making progress - if we can make progress - we think it will be more likely that the ceasefire will hold and that we can get a solution that is acceptable to all the parties to the dispute."

The new working group on economics will examine whether there should be a central bank or a monetary union among the six republics once they have settled their differences and agreed on a future framework for their political relations.

The three groups will be chaired by officials from the European Commission, which has been trying to broker a peace agreement in Yugoslavia since July.

They are expected to identify

problems and issues to be put before a special arbitration commission consisting of five eminent European constitutional lawyers.

Lord Carrington said minority groups in Yugoslavia, while unable to take part directly in The Hague conference, would be heard by his two deputy chairmen, who will then report back.

Groups such as the Albanians in Yugoslavia, who complained bitterly about being shut out of the conference.

The Yugoslav federal army yesterday agreed to withdraw some of its reservists from Bosnia-Herzegovina, a move which should ease tension between Muslims, Serbs and Croats in the central republic, write Judy Dempsey in Zagreb and Laura Silber in Belgrade.

Bosnian officials had feared that the pro-Serb federal army intended to lay the foundations of a Greater Serbia by carving

territory out of Bosnia-Herzegovina.

The Bosnian government has agreed to lift blockades of federal army units in return for the withdrawal of the reservists.

Despite the army withdrawal, reports persisted in Belgrade of a planned mass mobilisation. The reports have prompted thousands of men to go into hiding or flee.

In Croatia, Mr Mihaljo Zarokovic, deputy commander of the army camp at Prevlaka, near the Croatian tourist resort of Dubrovnik, said Croatian national guardsmen yesterday attacked army units at Kumbor, just inside Montenegro.

Army units began withdrawing from Vinkovci, a Croatian town and key railroad junction 10 miles west of the border with Serbia, after a local agreement between army officers and Croat security forces.

DAI-ICHI KANGYO BANK

DKB ECONOMIC REPORT

September 1991: Vol. 21, No. 9

Concern Recurs over Trade Friction

The Japanese economy is entering a deceleration phase, and the slowing trend seems likely to increase gradually. Industrial production dropped 0.1% in the January-March quarter from the previous quarter, after peak growth of 2.2% in the July-September quarter of 1990. This represents the first quarterly fall in well over a year, since the July-September quarter of 1989. For the April-June quarter of 1991, industrial output fell by a sharper 0.6% from the preceding quarter. A year-to-year comparison reveals that growth in industrial production slowed to 3.1% for the April-June quarter of 1991, from a peak of 7.1% for the October-December quarter of 1990. Looking at year-to-year growth by sectors, growth in all sectors slowed in the April-June quarter. The sluggish growth apparently reflects a further slowing of export growth, housing investment and capital investment.

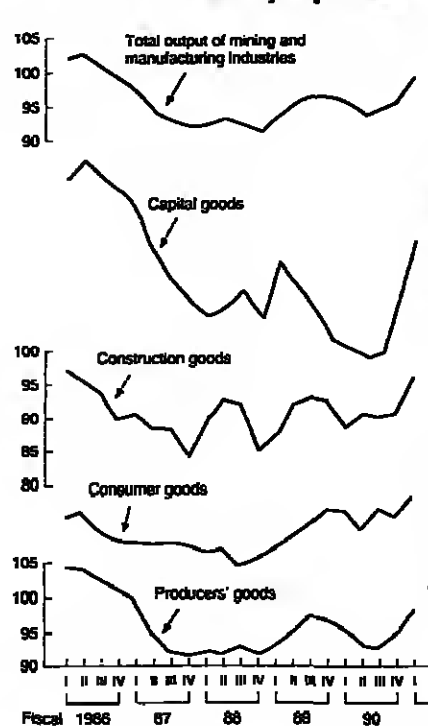
Under these circumstances, the inventory sales ratio of manufactured goods, centering on capital goods, rose rapidly, almost matching the levels seen in the initial stage of, or just prior to, the current economic boom (Figure 1). This indicates pressure for inventory adjustment is rapidly increasing. The cut in the official discount rate by the Bank of Japan on July 1 can therefore be interpreted as a measure taken for fear that the economic slowdown could develop into a stall.

Resurgent Trade Surplus In addition to the fear of a stall, the Japanese economy also confronts another source of concern - the resurgence of trade friction with other countries. Japan's trade surplus began expanding again this year, after steadily dwindling through last year. On a customs clearance basis, the trade surplus for the first half of 1991 increased by \$7 billion from a year earlier after expanding to \$32.9 billion in the first half of 1991, from \$25.6 billion in the first half of 1990. By region (Figure 2), the trade surplus with the United States decreased, mainly because the nation's economic slowdown dampened Japan's export growth to the country. In contrast, the surplus with Western Europe and the Newly Industrializing Economies (NIEs) of Asia expanded. The trade surplus with Western Europe shrank until the first half of 1990, while Japan has had few trade disputes with the Asian NIEs. This recent trend stirs concern that trade friction could break out in these regions.

The expanded trade surplus for the first half of 1991 stemmed largely from a temporary factor - the yen's year-to-year appreciation against the U.S. dollar. The higher yen pushed up the yen-denominated portion of exports, increasing the value of overall exports. In the meantime, growth in import volume decelerated, due mainly to Japan's economic slowdown, which restricted reduction in the trade surplus* (Figure 2). For the second half of 1991, the influence of the so-called "J-curve effect" will not disappear, assuming that the dollar continues to hover near 138.01 yen (the average exchange rate for July, against 138.02 yen for the second half of 1990). However, lower crude oil import prices (\$26.13 per barrel in the second half of 1990; \$18.03 in July) are likely to help boost Japan's trade surplus.

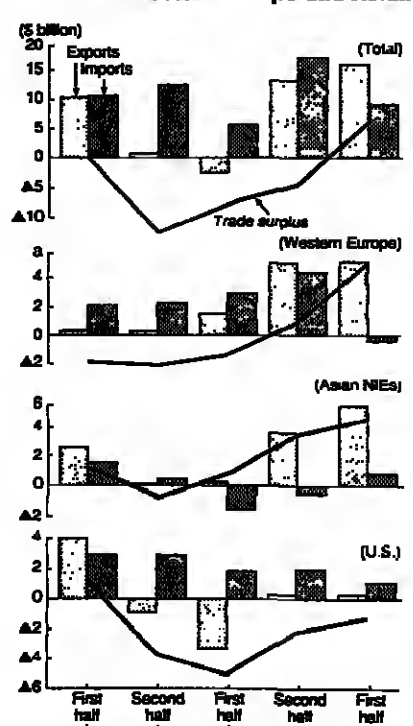
A close watch on the trade surplus seems necessary for the time being.

Figure 1. Rising Pressure for Inventory Adjustment



Note: Figures represent indexes of producer's inventories of finished goods and seasonally adjusted, 1985=100. Source: The Ministry of International Trade and Industry

Figure 2. Expanding Trade Surpluses with Western Europe and Asian NIEs



Note: Exports, imports, trade surpluses are viewed from Japan. All are on a year-to-year basis. Source: The Ministry of Finance

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Economists plot go-it-alone strategy for the Ukraine

By Chryslia Freeland in Kiev

IN CONTRAST with the prevailing western view that it makes economic sense for the Soviet Union to stay together, a group of eminent foreign advisers is arguing that independence will give former Soviet republics the best shot at radical economic reform.

On that premise, a high-powered western team, including Sir Geoffrey Howe, the former British chancellor of the exchequer, Mr George Soros, the Hungarian-born financier and philanthropist, and Mr Rudiger Dornbusch, the Massachusetts Institute of Technology economist, met Ukrainian leaders last week to begin drafting an economic reform programme.

Working with a group of Ukrainian economists, led by Mr Volodymyr Pylypchuk, head of the parliamentary commission on economic reform, they hope to produce a plan by the beginning of next year. The idea is to introduce a separate currency backed by price reform, a balanced budget and tougher budget constraints on enterprises. A massive privatisation campaign, with favourable conditions for foreign investors, would follow for an economy which accounts for one-third of Soviet agricultural production and a quarter of industrial output.

Mr Soros, who made a fortune playing the capitalist game, says: "I think it is easier to guide the Ukraine into a democratic, market-oriented economy than it is to reform Russia because there is a unifying force here: they all want to break with Moscow. It is very difficult to break with Moscow in Moscow."

Paradoxically, Moscow's own policies are creating an economic rationale for what was already a powerful emotional

desire to cut ties with the centre by creating a separate currency.

Yeltsin has discovered the printing press. He may well be setting a world record for the creation of money," said Prof. Dornbusch. Most of those new banknotes stay in Russia: Ukrainian banks have received only 10 per cent of their cash needs this month and are paying wages with up to 12 days' delay.

But new-found independence can bring its own economic perils. The Ukrainian cabinet is more intent on bringing the economy under its own control than on leaving it to the market.

Enterprises ranging from Donbass coalmines to collective farms have been forbidden to make harder deals with partners outside the republic, while the Ukrainian National Bank, which has long complained about the Kremlin's monopoly on hard currency, is trying to take over all hard currency accounts held in Ukrainian commercial banks.

"Kiev wants to replace Moscow," complains Mr Volodymyr Shadnev, director of a mammoth metallurgical complex in eastern Ukraine.

The parliament is a poor counterweight to a reactionary cabinet. Its chairman, Mr Leonid Kravchuk, is a sort of Ukrainian Gorbachev - a brilliant compromiser and mediator. But, like the Soviet president, he is unable to provide the decisive leadership needed in the aftermath of the failed coup.

The nationalist opposition which controls parliament is reluctant to attack Mr Kravchuk. It does not want to antagonise him or the Ukraine's 3.5m other ex-Communists

because it needs their co-operation to guarantee a "yes" vote in the December 1 referendum on independence.

On the campaign trail, Mr Kravchuk has demonstrated a firmer grasp of what the public wants to hear than what it should be told about economic reform. He is persuading voters to cast their ballots for independence with the promise that in a sovereign Ukraine prices will be lowered.

That is a very different scenario from the radical reforms planned by Mr Pylypchuk and his western advisers, which would mean belt-tightening, fiscal discipline and higher price

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Registered office: Number One, Southwark Bridge, London SE1 9HL. Company incorporated in the laws of England and Wales. Chairman: D.E.P. Palmer. Main shareholders: The Financial Times Limited, The Financial News Limited, Publishing director: J. Rothery. 168 Rue de Rivoli, 75004 Paris Cedex 01. Tel. (01) 4297 0621; Fax (01) 4297 0629. Editor: Richard Lambert. Printer: SA Nord Estais, 15/21 Rue de Chateaubriand, 13400 Marseille. ISSN 1148-2123. Commission Paritaire No 6780SD.

Financial Times (Scandinavia) Vennskapsakt 42A, DK-1161 Copenhagen-S, Denmark. Telephone (21) 13 44 41. Fax (21) 935335.

The annual report for the fiscal year ended March 31, 1991, is available upon request. Please direct inquiries to the address below.

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EUROPEAN NEWS

Brussels energy tax expected to raise Ecu53bn

By David Gardner in Brussels

THE European Commission's proposed energy tax would raise Ecu53.5bn (\$65.27bn), according to a preliminary calculation by the Commission's energy directorate.

The tax, proposed on Wednesday, aims to reduce emissions of greenhouse gases which contribute to global warming. The tax receipts, which would be collected nationally and offset by cuts in other taxes under the Brussels plan, would come overwhelmingly from the most industrialised parts of the EC.

The poorer, southern member states, which had been concerned that the proposed tax would stunt their industrial development, would have to adjust their tax systems by smaller than average amounts, both per capita and as a percentage of national output.

The bulk of the taxation switch would fall on the richer countries. Yet it was partly because of concern that some northern members, mainly Germany, Denmark and the Netherlands, would go ahead and introduce similar taxes, that the Commission felt compelled to act.

Brussels feared that unilateral action would create distortions in the EC's single market and undermine a common environmental policy.

The tax proposed is a mixed levy falling half on fossil fuels and half on all other forms of non-renewable energy. Brussels would like to start it at the equivalent of \$3 on a barrel of oil in 1993, rising \$1 a year to reach \$10 by 2000.

The Commission's calculations were based on a different mix of energy - with 25 per cent on carbon fuels and 75 per cent on other forms of energy - so that the position of heavy coal consumers like Spain, for instance, would be worse than its figures suggest.

Of the Ecu53.5bn receipts, Ecu17.6bn would be raised by Germany, Ecu10.1bn by the UK, and just over Ecu7bn each by France and Italy. Spain would raise Ecu4.4bn, and Portugal Ecu0.7bn. The per capita impact would be Ecu225 for Germany, Ecu176 for the UK, Ecu129 and Ecu122 for France and Italy, but Ecu89 and Ecu68 for Spain and Portugal.

Greek PM warns of need to modernise

GREECE will be left behind by the European Community unless its economy is modernised and brought into line with its trading partners, prime minister Mr Constantine Mitsotakis said yesterday.

Renter reports from Athens.

"Marginalisation is not just a theoretical threat but an unavoidable development if the Greek economy cannot find the way towards equilibrium, recovery and convergence with the broader economy of Europe," he told a conference marking 10 years of Greece's EC membership.

He vowed that his conservative government would pursue its austerity programme to cut big budget deficits and the EC's highest inflation rate.

He said a main target was to join the exchange rate mechanism of the European monetary system by January 1 1994. "But this target is unattainable if we do not substantially reduce our deficits and if inflation does not decline to a single-digit figure."

The budget deficit is unlikely to hit the target of 16.6 per cent of gross domestic product in 1991. Inflation was down to an annual 17.4 per cent in August, compared with 21.9 per cent a year earlier.

Italian coalition deadlock over spending curbs

Andreotti attempts to patch up budget divisions

By Robert Graham in Rome

PREPARATION of the 1992 budget is causing divisions within the Italian government and could lead to early elections.

The budget is due to be finalised by September 30 but the four-party, Christian Democrat-led government of Mr Giulio Andreotti appears deadlocked over how to cut spending.

Mr Andreotti has been attempting to placate the factions within his government amid speculation he will have to dissolve parliament.

The disagreements have emerged less than two months after the coalition agreed to paper over differences and see this legislature through its full five-year term until June 1992. It would be the first time this has happened since the war.

Mr Andreotti began this, his seventh, government in April and it is composed of the Christian Democrats, Socialists, Liberals and Social Democrats.

A change in Italy's generous state pensions is one of the most sensitive issues under consideration.

A formula was agreed in August to raise the pensionable age to 65 years from 60 for

men and 55 for women. This was expected to save L18,000bn (\$14.4bn).

The gradual increase in pensionable age, to be completed by 2005 for men and 2115 for women, was expected to save some lire eventually, but more important, the government intended this to be a signal both to Italians and the European Community that the authorities were prepared to curb welfare payments that the state could not afford.

Pension reform has been pushed through by Mr Franco Marini, the labour minister and former secretary general of the Christian Democrat trade union confederation CISL. But the Socialists in the coalition want merely a voluntary change in the pensionable age.

Their attitude undermines the spirit, if not the value, of the pension reform. In itself this could provoke Mr Marini's resignation.

With the Socialists reluctant to proceed with pension reform, this in turn complicates the government's task of devising a budget which satisfies all coalition partners and tackles the budget deficit. The budget deficit for 1991 is expected

to be closer to L150,000bn than the L127,000bn forecast.

This is over 10.5 per cent of GDP and is virtually all accounted for by debt service payments. On Monday the OECD in its annual report on Italy warned of the dangers in failing to tackle the public sector deficit.

Mr Andreotti is attempting both to boost revenues and to cut spending with a weak hand. His colleagues believe any deal would have to be a compromise, because no member of the government wishes to incur electoral wrath when elections are at most eight months away.

Behind the battle over the budget, which has always been an annual cliffhanger, lie two important issues.

The first concerns Italy's ability to carry out structural economic reform to bring it into line with its main European partners for 1992 and the next phase of monetary union. If the cabinet ducks the reforms now, they will have to be confronted after next year's elections.

The second issue involves institutional change in Italy and the possible advent of a



Andreotti: trying to placate factions

new generation of politicians. The present legislature is expected to be the last presided over by Mr Andreotti. Mr Francesco Cossiga's term in the presidency also ends next July. Of late he has shown increasing signs of wanting to be seen as a positive force for change in the history books.

Within the cabinet there is reported to be general agreement on a substantial tax

amnesty as a means of persuading Italians, especially private sector business, to pay future contributions. The business community, led by Confindustria, the employers' organisation, is urging the government to freeze public sector pay. Public sector wages have increased in real terms on average by 9 per cent in each of the past two years - more than double the private sector.

NEWS IN BRIEF

Germany's inflation eases amid pay fears

By Christopher Parkes in Bonn

THE upward trend in the west German cost of living index weakened in September, but early indications from the annual pay round suggest that Bundesbank warnings about the inflationary dangers of a pay-and-prices spiral may be ignored.

Prices were 3.9 per cent higher than in September last year, following a 4.1 per cent increase in August, according to preliminary figures released by the government statistics office yesterday. The Deutsche Bank said it expected a further deceleration in price rises during October, and an overall increase in the cost of living index for the year of 3.5 per cent.

However, news of a 6.5 per cent pay increase for 220,000 insurance and banking workers, and rumblings from the industrial front are giving cause for concern. Construction companies, for example, enjoying a building boom in east and west Germany, expect to face union demands for pay and working hours parity with metal and chemical industry workers.

Renault seeks aid for job cuts

Renault is to seek aid from the government and the European Commission for job creation schemes following heavy cuts in its workforce, writes William Dawkins in Paris.

The French car group says it must lose thousands of workers to face the increased Japanese competition resulting from the recent car import accord between Brussels and Tokyo.

France's bilateral accord with Tokyo limiting Japanese imports to 3 per cent of the French market would disappear by 1993, along with bilateral curbs by four other member states.

Mr Raymond Lévy, Renault's chairman, believes Renault needs to cut its workforce by 40 per cent to bring productivity to Japanese levels. Renault says there are no formal plans to make job cuts on that scale although it will lose 4,620 jobs this year. This would bring the payroll to 63,128 by December, already 40 per cent below the peak of 105,300 in 1980.

Boulogne plea over ferry route

THE port of Boulogne has asked the French Government to back its efforts to find a new operator for Sealink Stena Boulogne-Folkestone ferry service, to be axed at the end of the year, writes William Dawkins in Paris.

Boulogne Chamber of Commerce and Industry has asked the government to "intervene" to encourage Société Nouvelle d'Armement Transmanche (Snat), Sealink Stena's French partner, to take full charge of the route.

The loss of the Sealink Stena route will cost at least 200 jobs and FF730m (\$2m) a year of sales, in area where unemployment runs well above the average, says the chamber of commerce.

Snat, the French ferry operator, has told the chamber it is not interested in taking full control of the line. Like Sealink Stena, it is cutting costs in the face of sluggish demand and looming competition from the Channel Tunnel.

French unemployment falls

Unemployment in France fell slightly last month for the first time in a year, bringing the total to 2.75m or 9.5 per cent.

Mrs Martine Aubry, the labour minister, warned that this was because of seasonal declines in the number of young people seeking jobs and in the number of redundancies. She expected a rise in young job seekers this month. Unemployment is causing growing concern to the government, which has reacted with measures to support small business and encourage apprenticeship.

Irish petrol prices to rise

Petrol price controls are to be lifted in Ireland from October 1, the Department of Industry and Commerce said, writes Tim Cooney in Dublin. This follows complaints from petrol distributors that margins have shrunk considerably since the last margin increase of 6 per cent six years ago.

Four-star petrol costs around 62 Irish pence (57 pence) per litre, about 20 per cent higher than in the UK. Industry sources say prices could rise by as much as 4 Irish pence.

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WAUGH STORIES

(By one who survived)

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EUROPEAN NEWS

Soviet media join rush to the market

Fledgling businesses offer fertile pickings for budding newshounds, writes Leyla Boulton

OBSTACLES hindering the creation of a market economy in the Soviet Union have failed to deter budding media tycoons.

The past year has seen a surge of new newspapers, magazines, agencies and television programmes devoted to fledgling *birzhes* (business) and the ailing Soviet economy. The prize is a foothold in a news market seen as having a richer future than any other and, for those businessmen who are setting up their own media, to have a say in what is published.

The often incestuous relationship between the country's fledgling entrepreneurs, the chairman of the editorial board of a business newspaper called *Birzheviye Vedomosti* (Bourse Gazette). He too sees no ethical conflict in combining two jobs which would probably be considered incompatible in the west.

"My conscience is clear. But if I were, say, chairman of parliament's economic committee, then my position would be open to investigation," he said. But most worrying - although perhaps inevitable at

a time of chaotic economic transformation and in a country previously starved of private capital - is the practice whereby businessmen create media channels to report specifically on their activities.

The Russian Commodity and Raw Materials Exchange, one of the biggest in the Soviet Union, has been particularly energetic in trying to develop its own information empire alongside its trading activities.

Long before the coup attempt it "bought" two pages a week in *Moskovskaya Pravda*, the Moscow Communist party daily newspaper, to publish a mini-newspaper called *Birzhevaya Gazeta* (Bourse Newspaper). Its most ambitious undertaking so far has been to create the Economic News Agency (ENA), which aims to become the Soviet equivalent of Reuters.

But that is exactly what Interfax, the Soviet Union's first independent news agency, plans to do, suggesting one of the toughest media battles will be fought in this arena.

"We want to integrate the Soviet business space into the

world network of business information," says Mr Andrei Martynov, Interfax's business editor. Interfax already produces a daily bulletin called *Exchange News*, covering about 50 Soviet-style exchanges.

ENA's first action has been to declare a monopoly on the distribution of the Russian exchange's prices. It also has a starting capital of Rbs20m (\$12m) and offers big salaries to journalists.

They are both trying to team up with a big international news agency, such as Reuters or AP-Dow Jones, to benefit from foreign know-how and technology and to gain a foothold in foreign markets, in return they are offering to share information about the Soviet Union and local clients.

Where the ENA has money, Interfax has a network of correspondents, customers and experience. It is already distributed in the US and Japan. The role it played in supplying news during the coup also helped to enhance its image.

But Mr Mikhail Komissar, editor of Interfax, warns

against a new attempt to suppress freedom of information, despite the final defeat of communist rule. "New business structures are trying to buy the media," he says.

The coup's defeat and the subsequent promise of economic liberalisation have clearly made the Soviet Union a more attractive place for foreign business media to invest in. Not only will investment become easier but the country itself will generate more information, which businessmen need.

And for those concerns already operating, life will become less risky and lonely.

France's Groupe Hersant, for instance, has over the past year helped to bring out a glossy monthly magazine called *Business in the USSR*. Printing 120,000 copies in Russian and 40,000 in English it is not yet making a profit, because of a shortage of advertising.

But as the news about the Soviet Union gets out, this may change.

Estonia harbours hopes of reviving maritime heritage

By Gillian Tett in Tallinn

IF THE hungry Soviet republics are forced to step up their imports of grain this winter, one man at least will be hoping to profit.

Mr Nathan Tonnisson, director of the Estonian maritime board, is fervently hoping rising Soviet imports of grain and other foodstuffs this winter will kickstart his plans to develop Estonia's ports into a key transit point for Soviet and western trade. In the aftermath of the Baltic's independence, Estonia was given control over its shipping and ports, including Tallinn new port, the main grain-importing point in the Soviet Union.

"Tallinn is placed to become a major trade link, not just for grain imports, but for a lot of western and Soviet trade," says Mr Tonnisson who, like many of his colleagues, dreams of reviving Estonia's maritime and trading heritage and turning the republic into a "Hong Kong of the Baltics".

Their ambitions lie in two directions. First, Estonians are hoping to expand their role in the Soviet Union's trade with Europe, believing that if Estonia's ports were developed they could become a launching pad from which western businesses could reach the Soviet hinterland.

Second, and more intriguing, Estonians and Finns are hoping to develop a new north-south ferry link between the two countries. If this could be combined with improved rail or road infrastructure through the Baltics to eastern Europe it would create an alternative trade route from Finland to eastern and central Europe.

The key to these ambitious plans is Estonia's ports. Before Soviet occupation in the 1940s, Estonia had some 26 ports, which handled nearly 14 per cent of all Soviet tonnage. But limited Soviet investment in Estonia's maritime trade in the last 50 years has left only three ports operating, two of which are based at Tallinn.

Between them they handle more than 7m tonnes of cargo, mostly imports. Although the represents a meagre 2 per cent of the overall Soviet

cargo tonnage, the bulk of the traffic at Tallinn's new port - one of the most modern in the Baltics - covers grain and refrigerated foods. It has the largest silo capacity in the Soviet Union.

The ports also play a key role in passenger traffic, primarily between Scandinavia and the Baltics. The old Tallinn port handled more than 600,000 international passengers last year, three times as many passengers as the Black Sea port of Odessa and six times as much as Leningrad.

But Estonia faces a difficult task in converting this hitherto limited traffic in grain and passengers into a fully fledged transit route, not least because its road and rail networks remain in as poor condition as the rest of the rapidly disintegrating Soviet transport system.

Estonia's main access so far has been a FM200m (\$49.3m) deal signed last week between its state oil company and the Finnish oil company Neste to build an oil terminal at Tallinn. According to Mr Riho Sild, Estonian deputy energy minister, the terminal's primary role is likely to be handling Soviet oil exports, possibly to Finland.

Estonian officials hope they will attract other development projects, as Tallinn's ports are relatively well placed to compete with those of its neighbours. Not only is Tallinn the deepest Baltic harbour - with a depth of 18m - its conditions in winter are more favourable than those

found in Leningrad. The key obstacle remains the lack of infrastructure, particularly in north-south links between the Baltic republics. Under the old centralised Soviet economic system, most of the trade - and hence most of the transport links - were based on a central Russian hub. As a result, road and rail links along the proposed route between Estonia, Latvia and Lithuania are poor and Lithuania lacks a rail link or developed road system into Poland.

Furthermore, attempts to develop a trucking and car link between Scandinavia and the Baltics have been hampered by the fact that Tallinn's ports are designed to handle cargo and passenger traffic separately.

Captain Peeter Veegan, director of the Finnish-Estonian joint venture Tallink, which, like a number of other Estonian-Scandinavian joint ventures, operates a regular passenger and cargo link between Tallinn and Helsinki, says: "What we need is a system like the cross-channel ferry system in England."

Estonia clearly lacks the capital needed to develop its infrastructure. However, it is not yet clear how far the country is prepared to relinquish its newly-won control of the transport sector to foreign interest.

The Estonian foreign investment law, passed last week, is among the most liberal in the Soviet Union, but it nevertheless limits foreign ownership in strategic areas of the economy, which may include transport.

As yet the maritime board has no plans to privatise its ports and is wary of proposals to denationalise Estonia's small shipping line, over which it has only just taken control.

However, Estonians like Captain Veegan remain convinced that foreign investment will eventually flow into the transport sector.

"The government knows that we can't survive without developing our trade to the west," he says. "But before we get the trade to Estonia, we will have to get the transport."

War-torn Yugoslav republic's foreign exchange reserves have been hit severely

Croatia appeals for loans to fund crucial imports

By Judy Dempsey in Zagreb

BANKRUPT Croatia is seeking a minimum of \$3bn in soft loans from western financial institutions to fund crucial imports, government officials said this week.

The war had cost the republic the equivalent of one year's gross domestic product and "our foreign exchange reserves are depleted", Mr Stjepan Zdmic, minister of the economy, said.

"We now have about \$35m left. It is nothing."

Three months of fighting in Croatia had kept foreign investors and tourists away, while contracts with foreign partners had been broken and western governments refused

to extend export credit guarantees.

Mr Zdmic said the tourist sector, which accounted for more than 20 per cent of Croatia's \$15bn GDP last year, "has been completely wiped out". Officially, revenue from foreign tourists amounted to \$3.5bn in 1990, but the full contribution rose to \$5bn when undeclared earnings were taken into account.

The collapse of tourism has led to a sharp rise in tourist sector unemployment, which has helped take the overall joblessness rate to about 13 per cent this year.

The industrial sector has also been seriously affected by



The tourist sector has suffered badly, leading to a sharp decline in revenue

federal army bombardment of Croatia's western ports of Split and Sibenik, as well as the eastern towns of Gospić, Osijek, Vukovar and Vinkovci. Over the first seven months of this year industrial production fell 19.9 per cent; after heavy fighting this month the fall in industrial production for the whole year could be between

40 and 50 per cent.

"When the destruction of fixed assets and infrastructure, and loss of current incomes, are taken into account, the cost of the war will be the equivalent of one year's GDP," Mr Zdmic said.

Such losses made it impossible to balance a budget whose deficit now equals 40 per cent

of GDP, despite government price and tax increases. At the same time Croatia's Chamber of Commerce recently published statistics showing that the cost of maintaining the 232,400 Croatians who have fled the fighting to other parts of the republic - or to Hungary, Austria or Germany - is about DM2m (\$1.1m) daily.

OBITUARY

Sir Yue-kong Pao, CBE., LL.D., J.P.,

beloved husband of Sue-ing, father of Anna, Bessie, Cissy and Doreen, father-in-law of Helmut, Peter, Shinichiro and Edgar, and grandfather of Michele, Andreas and Philip Sohmen, Jacqueline, Jennifer and Douglas Woo, Kenzo and Tommy Watari, and Kristina and Stephen Cheng, passed away peacefully on 23rd September, 1991 at home, aged 73.

A funeral service will be held at 11:00 a.m. on Thursday, 3rd October, 1991 at the Hong Kong Funeral Home, 679, King's Road, Hong Kong.

Donations in lieu of flowers should be made to Community Chest of Hong Kong, World Trade Centre, P.O. Box 888, Hong Kong or Hong Kong Bank Account No. 002-325363-002, specifying that the donation is in memory of Sir Yue-kong Pao.

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September 1991

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AMERICAN NEWS

El Salvador's warring parties break deadlock

By Lionel Barber, US Editor, in New York

THE El Salvador government and five guerrilla commanders have reached a broad agreement on the country's economic and political future, including steps to "purify" the armed forces and to reintegrate the rebels into civilian life.

The agreement lays the groundwork for a permanent ceasefire, and both sides yesterday said it could mark the first concrete step towards ending the 11-year-old civil war which has ravaged El Salvador. Talks are to resume on October 12.

Mr Javier Pérez de Cuéllar, the UN secretary general who called the opposing parties together 10 days ago for talks in New York in an effort to close 18 months of UN-sponsored negotiations, said: "The Gordian knot has been untied."

The US, which has given more than \$4bn to the government of El Salvador over the past 10 years, despite criticism about army "death squads" and human rights abuse, welcomed the New York accord.

Mr Bernard Aronson, assistant secretary of state for Central and Latin America, said: "If the guerrillas mean what they say in these documents, then the war is over."

The breakthrough stems partly from both sides agreeing to accept on trust assurances about the future integration of the Marxist rebels in civil society - without a ceasefire first being in place.

Under the agreement, a new national peace commission - made up of two government representatives, the Farabundo Martí National Liberation Front (FMLN) guerrillas, the church and other political parties - will supervise enforcing the political agreement. Its recommendations are binding on all parties, and it will rule by majority.

The El Salvador government has agreed to a guerrilla request to protect the right of guerrilla families and sympathisers to hold on to land they have occupied during the war. In principle, it was also agreed to reduce the size of the politically powerful Salvadoran military, although the rebels appear to have dropped demands to incorporate some of their officers into the regular army ranks.

Budget compromise begins to strain at the seams

Recession and Soviet upheaval have wrought havoc on efforts to cut the deficit, writes George Graham

THE BUDGET compromise laboriously forged last year between the US administration and Congress is already showing signs of strain, as international upheaval and domestic recession wreak havoc on the conditions on which it was based.

The agreement aimed to cut the US budget deficit dramatically over the 1991-95 period. President George Bush agreed to raise taxes and his Democratic opponents in return accepted tough spending curbs.

But the turmoil in the Soviet Union has prompted calls for the rewriting of the budget rules to take account of the growing need for food and economic aid and of the dwindling Soviet military threat.

At the same time, Democrats - and some Republicans - are eager to boost domestic spending to help deal with the slow-down that hit the American economy this spring and from which it is only hesitantly emerging.

Last year's compromise adopted a new approach to the problem of the US's ever-growing deficit. Instead of the deficit targets contained in the old Gramm-Rudman law, the 1990 Budget Enforcement Act divided the budget into two.

For discretionary spending, which must be approved each year in an appropriations bill, dollar ceilings are fixed for

three broad categories: defence at \$281bn in fiscal 1992, international (mostly foreign aid) at \$21bn and domestic at \$199bn.

Mandatory spending, such as social security payments, federal employees' pensions or Medicare health benefits, is not

subject to the same fixed caps, but legislators must observe a "pay-as-you-go" rule for such mandatory expenses and for revenues: any spending increase must be offset by a tax increase, and any tax cut must be offset by a spending cut.

These rules have severely dampened congressional enthusiasm for proposing spending. Nevertheless, legislators have made a variety of efforts to circumvent or stretch the Budget Enforcement Act's provisions. Some congressional committees have, for example, made creative use of the clause

which allows the budget agreement to be breached for emergencies: money for fighting forest fires has been designated as emergency funding, even though these fires occur every year.

The emergency clause is also being used by the Democrats in their current attempt to extend unemployment benefits. This would get round the obligation to offset this \$6bn of additional mandatory spending by increased taxes.

Congressman Les Aspin, the chairman of the House armed services committee, has made another suggestion: \$1bn of emergency aid for the Soviet Union, which would normally come out of the \$21bn international budget, should be transferred from the defence budget.

Administration budget officials appear ready to accept this kind of limited deviation from the letter of their hard-

won budget agreement, although they are wary of setting a dangerous precedent.

They are worried, however, that the accumulation of other strains could crack the compromise. For example, Senator Phil Gramm, the Republican from Texas, has sought to counter the Democrats' unemployment benefits bill with an "Emergency Economic Growth Act" including a cut in the top rate of capital gains tax to 19.5 per cent.

Senator Gramm argues that this tax cut would over five years produce \$9.5bn of additional revenue because of the additional growth it would encourage, but it would be hard for the administration's Office of Management and Budget (OMB) to score the measure in the shorter term as anything but a loss of revenue, which would force offsetting cuts in mandatory benefit programmes under the pay-as-you-go rule.

Further out, the administration's efforts to sign a North American free trade treaty with Canada and Mexico could create difficulties. Ending tariffs on Mexican imports would create a revenue loss, which the administration would be obliged to offset by cutting mandatory spending on benefits. This would further increase the difficulty of get-



Senator Phil Gramm: seeks capital gains tax cut

himself calls "an opportunity for a vastly restructured national security posture."

OMB director Richard Darman appears determined to hold the line on the budget agreement at least until after next year's presidential election. Against these pressures, however, the compromise stands little chance of running its full term until 1995.

After the election, budget officials are ready to consider adjusting the caps on defence, international and domestic discretionary spending. If in return they can win an extension of the pay as you go principle. They regard this as critical if the budget agreement is to reduce the federal deficit.

Right now, it is not having this effect. The Congressional Budget Office predicts a deficit of \$279bn this fiscal year compared with \$220bn in fiscal 1990, and expects a record \$362bn in 1992. It warns, however, that the figures would have been much worse without the Budget Enforcement Act, and expects a steady reduction in 1993-96.

But administration budget forecasters are confident that if they can only maintain the pay-as-you-go discipline, growing tax revenues will eventually bring the deficit under control, despite the likely surge in Medicare and Medicaid health spending.

Corruption setback for Menem

By John Barham in Buenos Aires

ARGENTINA'S government is enmeshed in a new corruption scandal, in spite of President Carlos Menem's attempts to clean up the country's image in the hope of attracting fresh foreign investment.

The scandal erupted with the resignation last Friday of Mr Vittorio Orsi as planning secretary, in what then seemed a minor palace coup. However, Mr Orsi has now explained he left the government after learning that a subordinate had signed a "pre-agreement" with an Italian company to remodel seven airports, even though the agreement had been rejected in May as being against the public interest.

Mr Orsi alleged yesterday that Mr Francisco Mayorga, his tourism secretary, had resuscitated the agreement, worth \$345m, with state-owned Italimpianti even though Mr Orsi calculated the work would in fact cost about \$150m. Mr Mayorga was not available for comment yesterday.

The scandal gained added piquancy when it emerged that two Italian businessmen involved in the negotiations had earlier given Mr Menem a Ferrari sports car which he has been made to sell. No buyers have been found for the Ferrari.

Mr Menem purged his cabinet and personal entourage in January after the US embassy made public its anger over government corruption. Later Ms Amalia Yoma, his sister-in-law and appointments secretary, together with two government

officials, were charged with recycling drug money in Argentina and Uruguay.

● BAT Industries announced yesterday that its Argentine affiliate has been forced to make a \$45m provision in its accounts to cover a disputed tax bill.

In 1987-88 BAT's subsidiary bought \$31m in tax credits from Komer Salgado, an Argentine company, only to discover later that they were fraudulent.

Although the tax authorities delayed informing companies of the fraud, they now demand full payment plus a further \$14m to offset inflation.

Firestone, the US-based tyre company, and Perkins, the US diesel engine group, both face similar demands.

Quebec premier ready to discuss province's future

By Robert Gibbons in Montreal

QUEBEC Premier Mr Robert Bourassa is ready to negotiate his province's future in a renewed confederation on the basis of the federal government's constitutional package announced on Tuesday.

However although Quebec supports steady progress towards a true Canadian common market, it will not bargain away any economic powers it already holds.

Mr Bourassa favoured the proposed definition of Quebec as a "distinct society", transfer of certain federal powers to the provinces, the idea of an elected senate and a council of the federation to co-ordinate policy making.

In Ottawa, Mr Joe Clark,

federal constitutional affairs minister, said Quebec's response meant "we have a good solid basis for negotiating changes."

The Parti Quebecois Opposition in the National Assembly charged that Ottawa was trying to grab more economic power from Quebec. But the federal package's emphasis on economic issues may help Mr Bourassa in his coming fight with the separatists.

● Ontario and British Columbia will post the most solid recoveries from Canada's recession, while Quebec and the prairie provinces are expected to show the weakest growth, the Conference Board of Canada said, Reuter reports.

Bright outlook for S America

By Leasia Crawford in Santiago

LATIN America's regional output is set to grow by 2.4 per cent in 1991, the first time in four years that the region's economies will grow faster than its population, according to the United Nations Economic Commission for Latin America and the Caribbean (ECLAC) based in Santiago.

ECLAC's annual assessment of the region's economic health is the most upbeat of recent years. It notes that most countries are enjoying economic growth, leaving behind the scourges of inflation and stagnation that marked the "lost decade" of the 1980s.

Countries that are performing better than last year include Venezuela, which will surpass the 8 per cent growth rate registered last year;

Argentina, which is emerging from three years of recession; Chile, now in its eighth year of solid growth; and Nicaragua, which is expected to show some progress after eight years of setbacks.

Not all countries have found the road to recovery. Some, such as Brazil and Peru, remain burdened by a huge foreign debt and high inflation rates. Others are just beginning to embark on the tough structural adjustments needed to put their economies on a sounder footing.

The region's slow convalescence, however, conceals more radical changes. These include: ● A dramatic improvement in the fight against inflation. After standing at 1,200 per cent in 1989 and 1990, the weighted

average increase in consumer prices in the region has been reduced to less than 300 per cent a year and shows a clear downward trend.

● Most countries are now functioning with more balanced public sectors as government finances have been balanced by the privatisation wave in the region.

● Private capital is flowing back to the region for the first time since the debt crisis exploded in 1982.

● The foreign debt issue has diminished in importance. International interest rates are falling, providing some relief on foreign debt payments.

The *Economic Panorama of Latin America, 1991*, by the UN Economic Commission for Latin America and the Caribbean.

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INTERNATIONAL NEWS

UN set to agree Iraqi terms on N-inspectors

By Michael Littlejohns, UN Correspondent, in New York

THE United Nations Security Council appeared willing last night to accept most of Iraq's terms for the release of a UN nuclear weapons inspection team detained in Baghdad.

But officials said the council would not agree to an Iraqi request that Mr Rolf Ekeus, Swedish head of the UN special commission set up to investigate and destroy Iraq's most dangerous weapons, should make an early visit to Baghdad for talks.

After further consultations among council members Mr Jean Bernard Mérimée, French president of the 15-nation body, was preparing a statement in response to Iraq's proposals. This was expected to accept its offer to release the detained inspectors if they delivered an inventory of films and tapes of documents they obtained at the Iraqi atomic energy headquarters in Baghdad.

The UN team made a surprise visit to the headquarters and its members were detained after they tried to leave with photocopies of personnel files and other material.

Accusing the inspectors of spying, the Iraqis professed to fear that the material would be turned over to Israeli intelligence.

After a two-day stand-off, the Iraqis made new proposals late on Wednesday which were interpreted by Mr Mérimée and other council members as a breakthrough that could resolve the crisis.

Earlier, Baghdad had backed down in another confrontation, agreeing that international inspections could be conducted with the use of UN helicopters, instead of Iraqi aircraft as they had previously demanded.

The aircraft carrier USS Dwight D. Eisenhower and seven other US Navy ships sailed yesterday for the Middle East, AP adds from Norfolk, Virginia. Two carriers are already in the region.

The fleet was expected to conduct routine operations in the Mediterranean Sea, the Red Sea and the Gulf, but the planned deployment appeared timely in the US stand-off with Iraq.



Kongo, Japan's first destroyer equipped with the US-designed Aegis missile system, is launched at Nagasaki yesterday. At 7,200 tonnes, Kongo is the largest combat ship in the Japanese navy.

S Korea to graduate from World Bank development loans

By John Ridding in Seoul

SOUTH KOREA is succumbing to pressure from the World Bank and will stop receiving development loans from the organisation from 1995, the country's Finance Ministry said here yesterday.

"Graduation from World Bank development loans will remove a source of attractive long-term financing," a ministry official said. "But we agree that we are at the stage of economic development where we should move on."

South Korea's per capita gross national product is now more than \$5,500, well in excess of the \$4,000 at which the World Bank recommends graduation from its development loans.

But the Korean government, faced with a deteriorating balance of payments and a trade deficit which has reached more than \$7bn so far this year, has been reluctant to close this source of capital.

According to the Finance Ministry, South Korea has agreed with the World Bank that it will continue receiving

development loans until 1994. Until then, Korea will seek loans of between \$300m and \$400m each year, under a plan to be submitted to the International Bank for Reconstruction and Development, the development financing arm of the World Bank.

South Korea is also seeking a proviso that graduation from IBRD loans be suspended in the case of a sharp deterioration in economic conditions or an external economic shock.

Graduation from the loan programme will bring to an end one of the most successful relationships between the bank and a developing economy.

"The World Bank has been a major source of development loans," says Dr Young Soogil, a senior fellow of the Korea Development Institute. "Probably more importantly, it has been an important source of rational, free-market economic policy."

Since its first loan in 1963 South Korea has accepted 103 IBRD loans worth a total of \$7.26bn.

Scandal washes over Japanese backwater

By Stefan Wagstyl in Tokyo

AFTER intoxicating the air of Tokyo and Osaka for many months, the whiff of financial scandal has reached one of the most rural corners of Japan.

Takamatsu, a farming town in western Japan famous for its noodles, has been shaken by reports that the former chairman of an agricultural co-operative, together with two former members of his staff, have disappeared following the revelation that the co-op used forged deposit certificates to the tune of ¥19.4bn (£83.6m), or more than a third of the deposits of the 6,447 members.

Police yesterday swooped on the headquarters of the Takamatsu Tohu Agricultural Co-operative and hauled away boxes of documents, to the astonishment of

hystanders. Norichukin, the national bank for the farmers' co-operatives, pledged to support Takamatsu Tohu in the event of a run on its funds. "This is the biggest financial scandal ever to happen in Kagawa prefecture," said the editor of the Takamatsu Shinbun, the local newspaper.

The police are searching for Mr Kiyochi Ohno, who was chairman of the co-op for 16 years, until he was forced to resign at a board meeting this week.

The police believe Mr Ohno may know who was responsible for forging certificates of deposit which were lodged at banks as collateral for loans. The police suspect that some of the funds raised in this way were funnelled into

local property development schemes.

Meanwhile, embarrassed officials in Takamatsu are arguing among themselves as to how a co-op with deposits of just ¥36.9bn at the end of March was able to obtain fake certificates totalling ¥19.4bn.

Supervision of co-ops is shared between the prefectural government and the prefectural co-operative union. An official at the prefecture said: "We don't know who did this or where the money went. We did ask the co-operative union to increase their checks but they seem to have missed something."

Norichukin said: "This is a great surprise. But we can't check every co-operative in the country."

UN takes hesitant moves to armed intervention

IRAQ dominated the opening of the United Nations General Assembly, just as it did a year ago after the invasion of Kuwait.

Then, as now, the question was whether President Saddam Hussein would miscalculate and provoke the US and its allies to resort to force - in this case to carry out existing UN resolutions requiring the destruction of Iraq's nuclear and unconventional weapons.

But beyond the tense stand-off in downtown Baghdad, where 44 UN weapons inspectors remained encircled by Iraqi troops, a larger issue loomed: the extent to which the international community may claim to intervene in the affairs of a member state, with the backing of the UN.

This has long been a sensitive matter, since the UN charter is quite explicit in prohibiting such interventions unless there is a wider threat to international stability. In the case of Iraq, the general consensus appears to be that handling away personnel files, company documents and photographing top-secret government installations is the price Baghdad must pay. Mr Saddam had few supporters in New York this week.

But the question which no longer remains taboo is: should the principle of multilateral intervention be extended to contain the new forces of nationalism let loose by the collapse of communism in Europe and Asia - forces which now challenge established borders, threaten human rights and jeopardise stability across the continent? Has the UN a role to play in a more ambitious form of collective security?

"This issue," said one US official, "is going to dominate the next decade."

The debate came to a head on Wednesday when a French-led proposal to impose an arms embargo against Yugoslavia

ran into difficulties in the UN Security Council.

Several non-aligned members complained privately that the move amounted to an unwarranted intrusion on the part of the UN; the problem was only finessed after Mr Budimir Loncar, the Yugoslav foreign minister, produced a letter on behalf of the Belgrade government requesting he

Lionel Barber reports from New York on new departures for the world body

attend the Security Council session and take the unusual step of appealing for an arms embargo against his own country.

"Yugoslavia cannot solve its crisis on its own," said Mr Loncar. "Help Yugoslavia to find a way to help itself."

In the event, the resolution passed unanimously - but without a provision that would enable the UN to enforce the embargo as it did a year ago with Iraq. Still, the action pushed the principle of intervention a little further forward, evoking many of the sentiments expressed by US President George Bush during an expansive, if ill-defined speech last Monday.

In a speech at the UN, Mr Bush said the Gulf war established a model for the collective settlement of disputes; but then he went a good deal further by raising the prospect of "international co-operation" against internal feuds and injustices. Finally, he talked about the UN's important business of promoting the defence of "inalienable human rights."

Having seen the way the US corralled the UN last year to provide "political cover" for the Gulf war to liberate

Kuwait, plenty of countries are nervous about the Americans' new enthusiasm for the UN. But Mr Bush's attempt to draw up a new set of principles to deal with what Mr Douglas Hurd, the British foreign secretary, called "the end of the principle of empire" received support in other western quarters.

Speaking on Tuesday Mr Ronald Dumas, the French foreign minister, called for a new charter to be adopted by the international community which would give beleaguered minorities the right to request outside intervention on humanitarian grounds.

Mr Dumas cited the recent example of UN intervention in northern Iraq on behalf of the Kurdish refugees. Yet as one British official remarked: "Although strictly a humanitarian operation, the UN intervention - backed up by French, US and British armed forces - was an invasion of sovereign territory in all but name."

Soma countries such as China and India recognise the trend - and object strongly - not least because they have difficulties with, say, Tibet and secessionist-minded Kashmir.

In his speech, Mr Qian Qichen, the Chinese foreign minister, warned that all countries should respect each other's sovereignty. "Human rights have been used as a means for pushing power politics and interfering within the jurisdiction of other states."

Mr Bush, who has always had a soft spot for China, appeared to agree. At the end of his speech, he said the UN "should not dictate the particular form of government" for member states, and that in his new world order, no nation "must surrender one iota of sovereignty." But by then, of course, as Mr Bush must have recognised, the genie of interventionism was already out of the bottle.

Kashmiris mass for rally

By David Housego in New Delhi

SEPARATIST movements in the northern Indian state of Kashmir plan a trial of strength with the Indian government today by organising a demonstration in the capital, Srinagar, to press their claims for independence.

The demonstration - the first large rally in the valley in more than 18 months - is intended to coincide with the United Nations general assembly session, Pakistan, in an effort to embarrass India, is pressing the assembly to take up the issues of Kashmiri self-determination and brutal-

ties they claim Indian troops have committed in the state.

Kashmiri militants, like other separatists in India, have drawn fresh impetus from the success of the Soviet republics in achieving independence. Kashmiri lobby groups point out that the Baltic states were admitted to the UN this session.

The rally organisers have avoided mass demonstrations over the last year because of the risk of casualties in a conflict with security forces. Separatist movements are banned in India.

Cameroon city deserted in disobedience campaign

By Julian Ozanne in Douala, Cameroon

WHOLE areas of Douala, the economically vital port city of the central African state of Cameroon, remained deserted yesterday as many residents continued a civil disobedience campaign to force President Paul Biya to grant further political reform.

Some shops and offices were open in the centre but most businesses were boarded up in response to opposition calls to make Douala a "ghost town". Strikes by port, municipal and transport workers, which have crippled the country's commercial and industrial capital, remained in force.

As a military helicopter flew overhead, heavily armed anti-riot squads patrolled deserted streets, particularly in the poorer sections of the city, after police shot dead two people this week in clashes with demonstrators.

The deepening political tension in Douala and other provincial towns comes as opposition leaders, five of

whom were detained for two days this week, attempt to intensify their three-month campaign of peaceful protest aimed at forcing Mr Biya to convene a national conference before multi-party elections are held later this year. Similar conferences in other African countries, such as Benin and Congo, have curbed the power of long-standing presidents.

The coalition of opposition parties, led by Mr Jean-Jacques Ekindi and Mr Samuel Ebova, want revisions to the electoral code, which they claim is biased in favour of the ruling Cameroon People's Democratic Movement. They also want fairer access to the state-owned media, which currently promotes the CPDM and lambastes the opposition.

Mr Biya, who took power in 1982, has refused these demands and instead embarked on a tour of opposition strongholds in the west and north of the country.

Mild upturn forecast for South African economy

By Philip Gawth in Johannesburg

THE South African Reserve Bank foresees a "distinct possibility" of a "mild upturn" in the country's economy soon, according to its latest quarterly bulletin.

The central bank says stimulatory fiscal measures announced by the government in August and earlier this month, low inventories and a favourable foreign reserves and balance of payments position would all lend support to higher levels of economic activity.

The economy has been in a cyclical downturn since March 1989. Although the downturn may now be bottoming out, the bank makes clear that it deepened during the first half of 1991. Real gross domestic product was flat in the second quarter, following six successive quarters of negative growth, but real gross domestic product decreased at an annualised rate of 3 per cent. This shows that what had previously been a manufacturing and

inventory recession had extended to consumer purchases too.

The outlook on the fixed investment side remains bleak following the seventh consecutive quarterly decline in fixed capital formation. However, private manufacturing enterprises - especially in the paper and printing, chemicals and base metal processing sectors - increased their real investment expenditure considerably in the first half of 1991.

The bank draws attention to the continued increase in real unit labour costs - about 2 per cent a year over the last two years - thus favouring capital-intensive development when the country needs to create jobs. Also of concern are government finances: the Treasury's deficit before borrowing and debt repayment of R4.7bn (£1.5bn) in the first five months of the year is equivalent to 85.8 per cent of the projected deficit for the entire fiscal year.

Paris and Brussels lose faith in Mobutu

Intervention is said to be purely humanitarian, write David Gardner and Ian Davidson

SUSPICION is growing that Belgium and France's military intervention in Zaire, following an army mutiny which has broken central authority in the former Belgian colony, will provide President Mobutu Sese Seko's collapsing, 26-year-old autocracy with a new lease of life.

This was exactly what happened the last time the two countries went into Zaire to evacuate French nationals, during the second Shaba rebellion in 1978.

Moreover, this is the fourth time Belgian troops have intervened in Zaire since just before its independence in 1960, and the 14th time France has sent forces to central and west Africa since the end of the Algerian war in 1962.

Understandably, therefore, Paris and Brussels are protesting vigorously that their mission is purely humanitarian. This time, though, their insistence may be borne out.

Despite the scepticism of the outside world, the French government has repeatedly insisted that the troops it has

sent to Zaire have only one mission, and that is to protect and repatriate French and other western citizens.

Mr Roland Dumas, the French foreign minister, said so at the UN General Assembly in New York earlier this week, and Mr Pierre Joxe, the defence minister, has said so in Paris.

Brussels too has insisted that its response to the prevailing anarchy in Zaire "will change nothing in our political position", as Mr Mark Eyskens, the Belgian foreign minister, put it yesterday.

Mr Eyskens made clear that "the only way out" for Mr Mobutu was the reconvening of the national conference on democratic reform which broke up in disarray after the regime packed it at the expense of the opposition - and the negotiation of a recovery programme with the International Monetary Fund and the World Bank, which have suspended credits to Zaire.

In Belgium's case, there is now little reason to doubt its sincerity. In the wake of the May 1990 army massacre of students in Lubumbashi, the government of Mr Wilfried Martens cut off aid. This May, a widely leaked cable from the Belgian ambassador in Zaire said: "It is impossible to continue with Mobutu."

Belgian and French interests in the region traditionally differ. Paris has continued to project diplomatic and military power throughout francophone Africa, while Belgian interests have become more narrowly commercial.

But during the stormy divorce from Mr Mobutu of the past three years, Belgian corporate interests in Zaire have whittled down their stake in the country.

For example, Accor-Union Minière, part of Société Générale de Belgique, Belgium's largest holding company, has expanded its copper interests in Mexico. Its security of supplies from Zaire's state-owned Gécamines copper mines - which used to provide it with a third to a half of its raw copper - became a pawn in bilateral stand-offs.

In France's case, its record of intervention in Africa makes foreign scepticism more understandable. Zaire is not a former French colony and France does not have a defence treaty with Zaire; but it has in the past developed close relations with Kinshasa, partly because of the attraction of the mineral wealth, partly because Mr Mobutu's support for the west during the Cold War persuaded France - along with the US - to overlook the many blunders on his regime.

At the Franco-African summit at La Baule in July last year, President François Mitterrand made clear that French aid would be increasingly conditional on progress towards democracy and the observance of human rights.

That sea-change of attitude was given new expression this week by Mr Dumas. He said that he had instructed the French ambassador in Kinshasa "to remind the Zaire authorities and in particular President Mobutu that, quite apart from the anxiety he may feel about the economic and social condition of his country, it would seem to be appropriate to move ahead with the process of democracy."



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Notice to Preference Shareholders Dividend No 107

Notice is hereby given that on 5 September 1991 the Directors of AECI Limited declared a dividend at the rate of 5.5 per cent per annum for the six months ending 15 December 1991 payable on that date to holders of preference shares registered in the books of the Company at the close of business on 18 October 1991.

The dividend is declared in United Kingdom currency and cheques in payment will be posted from the office of the transfer secretaries in South Africa and the United Kingdom on 13 December 1991.

Dividends payable from Johannesburg will be paid in South African currency at the rate of exchange ruling on 11 November 1991.

In respect of shareholders whose addresses in the share register are outside the Republic of South Africa, the dividend is subject to the deduction of non-resident shareholders' tax in terms of South African law.

Dividends payable from the United Kingdom office will be subject to such tax deductions as are prescribed by United Kingdom legislation unless a certificate exempting the shareholder concerned from such tax deduction is received before the closing of the registers.

Any change of address or dividend instruction must be received before the closing of the registers.

The transfer books and registers of members in Johannesburg and United Kingdom will be closed from 19 October 1991 to 1 November 1991, both days inclusive.

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WORLD TRADE NEWS

Polish clothing gains wider US access

By Nancy Dunne in Washington

THE US has agreed to widen market access for Polish clothing - a key sector in the Polish economic recovery effort - for two years, Mr Andrzej Olechowski, Poland's minister of foreign economic relations, said yesterday.

He expected final details to be worked out in further talks which would lift quotas on 16 apparel products. The liberalisation, part of President George Bush's "trade enhancement initiative" for the emerging democracies of eastern Europe, would leave import limits on only nine classifications of Polish apparel.

Textiles and food processing can be the "engine of recovery" for Poland, the minister said. Numerous French companies have been received assuring the Polish government of support for liberalised access to the EC's food market. This in turn would bring in large quantities of foreign investment capital.

Mr Olechowski said the boost to the textile sector, which employs 600,000 workers, would be helpful in the negotiations to gain EC associate membership status. He predicted that the Community would reach agreement with Poland, Hungary and Czechoslovakia this year.

However, Mr Olechowski met some disappointment in his talks with US officials this week. He had argued that Poland should be completely "graduated" from the textile quota programme because it no longer subsidises its production and its own market is open. Its share of the US market, only 0.17 per cent, constitutes "no danger to anyone."

Eight of the nine remaining products were given greatly expanded quota shares ranging from 25 to 250 per cent. Limits on the ninth - suits - are to be raised by only 10 per cent.

However, by the end of the year, there will be a bilateral "outward processing arrangement" which allows Polish suits, manufactured with American textiles, to enter the US market with no quotas at all.

Airbus Industrie may develop new regional jet

By Paul Betts, Aerospace Correspondent

AIRBUS Industrie, the European aircraft consortium, is expected to make a strong business case next month for the development of a new 120-130 seater airliner to expand the group's current family of commercial jets.

A study on the development of a smaller 120-130 seater derivative of the A320 twin-engine airliner is nearly completed. It is expected to show that the smaller derivative, the A319, could

be developed at a cost of \$300m (£172m). This would be lower than the development costs of \$400m for the A321 stretched derivative of the A320.

Airbus believes the A319 would be a normal evolution of its airliner family and would enable it to compete more strongly against its two US rivals, Boeing and McDonnell Douglas.

But plans to develop a smaller derivative of the A320 have caused tensions among the four partners of the consortium, including Aérospatiale of France, Deutsche Aerospace, British Aerospace and Casa of Spain. Aérospatiale and Deutsche Aerospace are considering developing a new European regional jet with Alenia of Italy. However, their plans risk competing directly with the new A319 project.

At the same time BAE, whose 146 regional jet would face competition from the proposed new French-German-Italian aircraft, is pressing hard for the

partners to agree to co-operate on the new Airbus aircraft rather than compete against each other with rival regional jet programmes.

These divisions have been further highlighted by BAE's current opposition to an attempt by Aérospatiale and Alenia to take over de Havilland of Canada to strengthen their position in the commuter aircraft market. The European Commission is considering blocking the de Havilland deal on anti-trust grounds.

Swiss model is flawed by cartels

By William Dullforce in Geneva

SWITZERLAND needs to be more energetic in dismantling domestic cartels and in applying the free trade principles prevailing in its industry to other segments of its economy, according to the secretariat of the General Agreement on Tariffs and Trade (GATT).

Domestic reforms to ensure a transparent and open market in all sectors could prove to be the crucial test of whether Switzerland can retain its competitive edge in a changing European and international environment, it warns in its first report on Swiss trade policies.

Swiss industry already appears to have lost ground in advanced product areas while many domestically oriented branches - telecommunications, rail transport, electricity and construction - are less efficient than the export industries, the report says.

With one blatant exception, agriculture, Switzerland's formal trade policies emerge from the report as a model for GATT's liberal principles. The federal constitution enshrines freedom of trade and governmental intervention in economic matters is limited. Subsidies to



industry, equivalent to about 0.1 per cent of gross domestic product in GATT's estimate, are small by international standards.

Tariffs on non-food imports are low. Unlike most other industrialised countries Switzerland does not restrict imports of textiles and clothing. It has struck no voluntary export restraint arrangements - over Japanese cars or anything else - and it has never taken anti-dumping measures or imposed countervailing duties on imports.

This attachment to liberal principles is not surprising in a country of only 6.7m inhabitants which is among the world's 15 biggest trading nations with merchandise exports and imports each in

the order of 30 per cent of GDP. GATT notes that Swiss per capita income outstripped those of the US and Canada by more than a quarter in 1989, but at purchasing power parities it ranked behind the North Americans. This discrepancy is due in large part to the protection accorded to Swiss agriculture through a broad range of subsidies and the imposition of tariffs, quantitative restrictions and variable levies on imports. Four-fifths, some SF75.5bn (\$3.75bn), of the costs of this farm policy are borne by Swiss consumers.

With the exception of agriculture Switzerland's formal trade policies are given a clean slate by the GATT secretariat. But it gives bad marks for the informal cartel-like arrangements between domestic producers and traders which it considers impede and distort trade even in industrial products. It finds restrictive practices in public procurement, mostly at the level of the cantonal administrations, and it thinks technical regulations may also operate as barriers. Relatively high barriers to entry into the wholesale and retail trades - through build-

ing and planning regulations, rules on shop opening hours, so-called "public need" requirements - help to shield established traders from newcomers and facilitate the operations of cartels and other collusive practices across wide sectors of the economy, the report states. The Swiss cartel commission had explicitly tolerated several price cartels, for example in pharmaceuticals and books.

National standards and regulations, in GATT's view, impede access to the Swiss market for cars, special farm and construction vehicles, fertilisers, pesticides, sanitary ware, kitchen equipment and electrical machinery.

The limitations on shareholdings practised by large Swiss companies may compound the adverse impact of tight product regulations and cartel arrangements on the country's economic resilience, the report warns.

Switzerland told GATT that a whole range of domestic banking cartels had recently been dismantled and that new methods were under study for meeting the social and environmental goals embodied in its agricultural policy.

Hopes over US-EC row on subsidies

By William Dullforce

THE EC and the US appear to be ready to make a further effort to resolve bilaterally their dispute over EC subsidies to Airbus Industrie after the failure yesterday of an attempt at conciliation by GATT's subsidies committee.

The "conciliation" was a formal step in the process by which the US can ask a GATT dispute panel to adjudicate, and Washington is now in a position to call for a panel.

But Mr Timothy Reif of the US Trade Representative's office said the US was still willing to try to settle the matter bilaterally. There had been informal contacts with the EC aimed at trying to avoid an impasse. "We would like the opportunity to digest what happened in the [subsidies] committee, discuss it back in Washington," Mr Reif said.

At the hearing Mr Reif maintained the US position that France, Germany, the UK and Spain had contributed \$13.5bn (\$7.7bn) in subsidies, a figure which would be doubled if unpaid interest were added.

NEWS IN BRIEF

Brussels puts anti-dumping duty on Japanese fax paper

Provisional anti-dumping duties of up to 54.9 per cent have been imposed on imports of Japanese fax paper into the European Community, following a complaint by Wiggins Teape, the British paper-maker, writes Andrew Hill in Brussels.

The European Commission said yesterday that EC manufacturers of thermal paper used in fax machines had "suffered material injury" because Japanese products undercut EC makers' prices by up to 22.8 per cent.

Between 1987 and 1990, according to the Commission, imports of Japanese fax paper rose nearly 14-fold, from 1,735 tonnes to 22,750 tonnes, and the Japanese share of the market more than doubled from 31 per cent to 68 per cent.

Wiggins Teape, the principal EC manufacturer, mentioned 13 Japanese producers, in its complaint, of which only four co-operated with the Commission investigation. Three of those four will be subject to lower duties - ranging from 10.3 per cent to 24.9 per cent - and no duty will be imposed on imports from Juju Paper of Tokyo.

Any imports of fax paper made by the other companies, some of which claimed they did not export the product to the EC, will incur duties of 54.9 per cent.

Salinas compromise on tuna ban

President Carlos Salinas de Gortari of Mexico (right) has decided not to pursue a recent GATT ruling condemning a US ban on Mexican tuna because catching methods involved excessive killing of dolphins, writes Damian Fraser in Mexico City. Mr Salinas has tried to defuse the row by promising to introduce regulations improving the protection of dolphins and said that he will seek "a bilateral solution" with the US.



■ Pemex has discovered a possible 1m barrels a day oil field in Campeche Sound, north of the port of Cuidad del Carmen.

Greek moves on \$1.5bn airport

Nine international consortia have responded to the Greek government's call for preliminary bids to construct a new airport for Athens on a build-operate-transfer basis, writes Kevin Hope in Athens. Mr Tzannis Tzannetakis, deputy prime minister, said that next month four or five candidates will be chosen to submit firm offers for the \$1.5bn (\$950m) project.

Among the bidders are the British Airports Authority, British Aerospace and Trafalgar House of the UK, together with Amsterdam Schiphol Airport, Bouygues of France and Lockheed Air Terminal.

Tandy-Matsushita Texan venture

The electronics companies, Tandy of the US and Matsushita of Japan, are joining forces in a personal computer manufacturing venture, writes Louise Kehoe in San Francisco. They will share equally the \$1.4m (\$900m) investment in the new joint venture company, PTCC, which will be based in Texas.

Seoul awards power plants order

Mitsubishi Heavy Industries of Japan and Westinghouse Electric of the US have won an order from South Korea worth about \$500m (\$215.5m) for two electric power plants, Reuters reports from Tokyo. Construction will start in 1992 and take a year.



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A WORLD OF COMFORT

UK NEWS

Major says Dutch plan could ruin EC accord

By Ivo Dawney, Political Correspondent

THE prime minister yesterday warned his cabinet colleagues of mounting concern that the latest Dutch draft treaty on political union for the European Community could jeopardise the outcome of the heads of government summit in Maastricht in December.

Mr John Major's briefing dominated an hour and a quarter meeting of the cabinet yesterday which heard a more upbeat report back from Mr Norman Lamont, the chancellor of the exchequer, on progress towards an accord on economic and monetary union.

Downing Street said that in his analysis, Mr Major made clear that he preferred the ear-

lier Luxembourg draft treaty proposals to the new Netherlands text which had made the prospect of an agreement "considerably more difficult."

Later, he told a delegation of Tory MEPs at Downing Street that Britain emphatically opposed the Dutch proposals to give the European Parliament enhanced legislative powers and bring internal security and foreign policy within the Community remit.

The prime minister did not rule out some minor extensions of the European Parliament's powers including a possible role in the process for approving the appointment of a president of the European

Commission.

His tough stance was apparently reflected by several other member states at a meeting of EC ambassadors in Brussels, called to prepare for an important foreign ministers' discussion of the new draft next Monday.

Reports from the meeting said only the Belgians and Germans endorsed the Dutch plan with the Italians, Spanish and Belgians expressing serious doubts and the remainder, especially France, firmly opposed.

The strength of objections to the highly-federalist Dutch proposals has raised the prospect that it could be withdrawn.

Sealink may have to give up Dover-Calais to P&O

By Richard Tomkins, Transport Correspondent

SEALINK Stena Line, the crisis-stricken ferry operator currently negotiating the axing of 1,500 jobs with trade unions, may have to yield its ferry operations on the Dover-Calais route to its rival, P&O European Ferries, in the run-up to the opening of the Channel tunnel.

Mr Gareth Cooper, Sealink's recently appointed managing director, acknowledged yesterday that this was a possible outcome if the company failed to raise productivity levels to a level comparable with P&O's.

Mr Cooper is the former managing director of Crown Bergey, the paints manufacturer sold by Williams Holdings of the UK to Nobel Industries of the Sweden last year. He was appointed to Sealink in May by Stena, the Swedish ferry group which acquired Sealink last year.

The Dover-Calais route - the shortest sea crossing between Britain and France - is the busiest and most profitable service for P&O and Sealink, the two ferry companies which operate it.

This could change when the Channel tunnel presents a new competitive threat in 1993. The two companies want to respond by joining forces in a

route-sharing agreement, if the Monopolies Commission agrees. Industry observers, however, question whether a pooling of operations will work with Sealink's costs so far out of kilter with P&O's.

Mr Cooper said that Sealink was achieving only four round trips a day on the route compared with five for P&O. Sealink's employment costs, he said, absorbed 40 per cent of revenue compared with figures of 22 to 28 per cent for its rivals.

Last week Mr Cooper announced 1,500 job losses and the axing of the Folkestone-Boulogne ferry service in response to a plunge into losses for the current year.

This came less than a year after it announced a twin-track programme of 849 job losses and £176m worth of capital investment in a bid to put the company on its feet.

Mr Cooper has spent the last few days touring Sealink's operations giving 32 presentations to more than 3,000 employees in an effort to explain the cuts.

"Sealink is commercially very strong," Mr Cooper said yesterday. "We turn over £1m a day, we have a major market share on all of our routes, and

we have a very good infrastructure. The single problem in this business is that our costs are too high."

Unions are resentful that the latest cuts follow so soon after the radical changes of October 1990. NUMAST, the officers' union, said yesterday: "It seems to us that the same dose of medicine being given out twice in less than a year is indicative of deep mismanagement."

Mr Cooper agrees that Stena's investment plans were far too ambitious, pre-supposing revenue which never emerged. The issue will come to a head on Monday when new contracts of employment are issued requiring employees to do more work for pay which has been frozen until January 1993.

Mr Cooper hopes his efforts to communicate the extent of the crisis will stave off industrial action of the sort that crippled P&O for much of 1988. "There is a tremendous majority of goodwill that wants to see this company survive," he says.

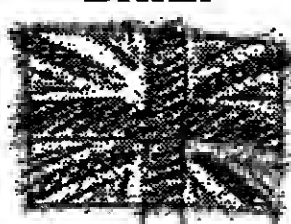
The unions are not so sure. "It's hard to read," said Numast. "At the very least, there are some very tough negotiations ahead."

Record breaking rail run brings Edinburgh within 4 hours of London



British Rail is to start a service from London to Edinburgh, the Scottish capital, non-stop in 3hrs 59 mins, compared to the present 4 hrs 20 mins. A celebration run clocked in at 3hrs 29 mins at an average speed of 113mph, and is pictured passing Durham Cathedral. Picture Ashley Ashwood

BRITAIN IN BRIEF



as an independent financial adviser for the sale of life assurance and investment products.

The move brings NatWest into line with the other large banks and building societies which only sell life assurance and pensions as tied agents of a particular company.

NatWest is setting up its own life assurance company, probably in a joint venture with the Bristol-based Clerical Medical life assurance company.

Tuesday revealing that women earned 77 per cent of the hourly earnings of male full-timers. That is 8-10 points below the level in France, Germany and the Netherlands where direct comparisons can be made.

50% of students study EC law

Less than half of Britain's law students are studying European Community law despite the rapidly approaching deadline for completion of the Single European market, according to research published today.

Polly Peck to Old Bailey

Proceedings against Mr Asil Nadir, the Polly Peck chairman, will be transferred to the Old Bailey on November 7, Bow St magistrates ruled.

Mr Nadir, who was remanded on bail of £3.5m until then, faces 18 charges of theft and false accounting involving £25m.

The charges were originally brought against him by the Serious Fraud Office in December last year following a three month investigation.

The direct transfer to crown court takes place under the recently introduced procedure allowing large fraud cases to be-passed committal proceedings before a magistrates court.

Capital spend falls by 6%

Capital spending by manufacturers fell 6 per cent between the first quarter of 1991 and the second, the Central Statistical

Office said yesterday. The fall from a seasonally adjusted £2.7bn to £2.5bn (measured in 1985 prices) followed a 10 per cent decline between the final quarter of 1990 and the first three months of this year. The CSO expects total capital spending by manufacturers this year to be £10.3bn, as against £12.1bn in 1990.

Pay bodies threatened

The government faces a potentially embarrassing conflict with Britain's 489,000 nurses following an assertion by senior civil servants that National Health Service pay review bodies will be abolished by April 1994. This would mean the end of national pay negotiations for nurses.

Poll opposes road charges

The threat of a political backlash awaits the government that first charges motorists for using London's roads, a poll carried out for the National Economic Development Office shows. The poll reveals that traffic congestion outranks house prices, crime and litter as the single biggest problem for Londoners, and most of them expect it to get worse. But few of the 489 Londoners polled suggested road pricing as the best solution.

Attenborough under pressure

The independent television production industry yesterday called for the resignation of Sir Richard Attenborough, the

Channel 4 chairman, and a restructuring of the board.

The Council of the Independent Programme Producers Association, which represents more than 800 independent production companies, expressed a "total lack of confidence in Sir Richard Attenborough." IPPA accused Sir Richard of showing contempt for Channel 4's commissioning editors and non-executive editors.

Howard to go to Russia

Mr Michael Howard, employment secretary, is to visit St Petersburg and Moscow next week to offer advice and training on small business development.

His four-day trip is expected to include meetings with independent trade unionists, government and council officials and former dissidents.

It follows a similar trip by Mr John Gummer, agriculture secretary. Mr Peter Lilley, trade and industry secretary is expected to visit Moscow later this year.

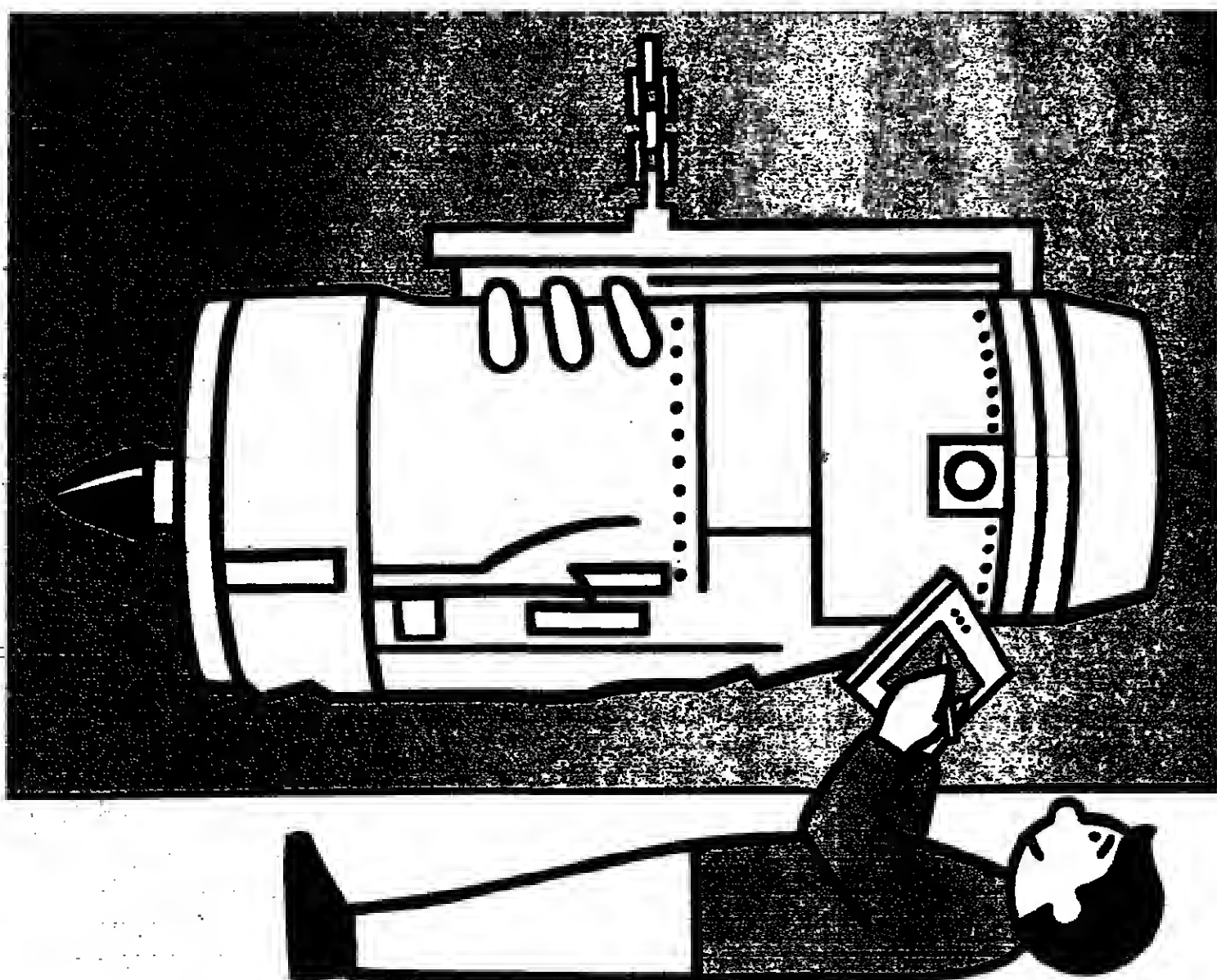
Essex robbed of victory

Torrential rain robbed Essex of 23,500 - and denied them the satisfaction of winning up their season with a crushing victory over Victoria.

Australia's domestic champions were facing humiliation of 56 for eight in their second innings - still 119 runs behind after following on - when a violent thunder storm arrived.

Chesham's County Ground was under water within minutes and Victoria were able to escape four hours later with a draw and £2,500.

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When the technician leaves on his rounds, his calls are already loaded in. A simple tap on the screen displays the forms he needs - but, thanks to the computer, these are 'intelligent forms'.

Typically, most of the form will be filled in by the computer from the existing database - the technician simply adds the details of the work that's necessary. If he needs parts, the notepad will show where they are in stock, and what their order numbers are.

And they can even be ordered through the optional built-in modem.

For technical help, pages from the manual - including diagrams - can be called onto the screen.

Handwritten characters are automatically translated into ASCII print. At the end

of each day, instead of paperwork to be completed, the notepad can transfer the data straight into your corporate computer system.

Your business gains the latest information without the need to rekey. Further benefits include improved customer satisfaction, faster turnaround of orders and thus better cashflow.

The NCR Notepad has a 386SL Intel® processor, between 1 and 20 MB RAM and EPROM memory, optional hard disk drive and built-in fax/modem. Size is little larger than an A4 pad, 25mm thick, and weighing well under 2 kg.

The machines can be docked into a unit with floppy and hard disk drives, network and printer connections, and (if desired) a keyboard and colour monitor.

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For full details, contact NCR.

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"Punctuality", Louis XVIII was fond of saying, "is the politeness of kings."

We believe that in the matter of punctuality, we can rise to the occasion by making for you a mechanical timepiece that will punctually record an extra leap-year every four centuries, in accordance with the Gregorian calendar *fig. 2*. Nevertheless, such a watch does need the occasional adjustment. Every 3333 years and 122 days you should remember to set it back one day to the true time of the celestial clock.

We suspect, however, that you are simply content to observe the politeness of kings. Be assured, therefore, that when you order your watch, we will be exploring for you the physical—if not the metaphysical—limits of precision.

Does everything have to depend on how much?

Consider, if you will, the motives of the collector who on October 15, 1989 bid at auction Sfr880,000 (about \$600,000) for a Patek Philippe—the most ever paid for a wristwatch. He may have paid for its rarity, for its looks or for the complexity of

its movement. But we believe that he bid for the 52-year-old watch simply because it works perfectly and he expects it to continue to do so for future generations.

In case your ambitions to own a Patek Philippe are somewhat discouraged by the scale of the sacrifice involved, may we hasten to point out that the watch we will make for you today will certainly be a technical improvement on the Patek bought at auction? In keeping with our tradition of inventing new mechanical solutions for greater reliability and better time-keeping, we will bring to your watch innovations *fig. 3* inconceivable to our watchmakers who created the supreme wristwatches of 50 years ago *fig. 4*. At the same time, we will of course do our utmost to avoid placing undue strain on your financial resources.

Can it really be mine?

May we turn your thoughts to the day you take delivery of your watch? We suggest you take advantage of the occasion to have the case opened and to examine the movement. You will notice the satin finish of the inside of the case, the delicate ribbing on the bridges, and the polished chamfer in the centre of each wheel. Borrow a watchmaker's eyeglass to admire the cut and polish of the ruby endstones, the perfection of each wheel and pinion. Your attention will be drawn to a small badge stamped on the mainbridge. The Geneva Seal—the highest possible attestation of fine watchmaking *fig. 5*.

Looks that speak of inner grace *fig. 6*.

When you order your watch, you will no doubt like its outward appearance to reflect the harmony and elegance of the movement within. You may therefore find it helpful to know that we are uniquely able to cater for any special decorative needs you might like to express. For example, our engravers will delight in conjuring a subtle play of light and shadow on the gold case-back of one of our rare pocket-watches *fig. 7*. If you bring us your favourite picture, our enamellers will reproduce it in a brilliant miniature of hair-breadth detail *fig. 8*. The perfect execution of a double hobnail pattern on the bezel of a wristwatch is the pride of our casemakers and the satisfaction of our designers, while our chainsmiths will weave for you a rich brocade in gold *figs. 9 & 10*. May we also recommend the artistry of our goldsmiths and the experience of our lapidaries in the selection and setting of the finest gemstones? *figs. 11 & 12*.

How to enjoy your watch before you own it.

As you will appreciate, the very nature of our watches imposes a limit on the number we can make available. (The four Calibre 89 timepieces we are now making will take up to nine years to complete). We cannot therefore promise instant gratification, but while you look forward to the day on which you take delivery of your Patek Philippe *fig. 13*, you will have the pleasure of reflecting that time is a universal and everlasting commodity, freely available to be enjoyed by all.

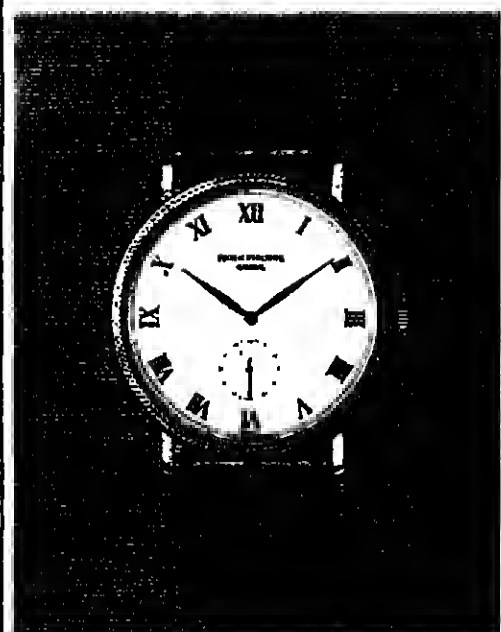


fig. 1: The classic face of Patek Philippe.



fig. 2: One of the 33 complications of the Calibre 89 astronomical clock-watch is a satellite wheel that completes one revolution every 400 years.

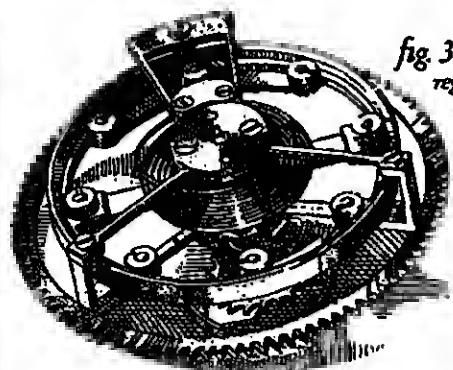


fig. 3: Recognized as the most advanced mechanical regulating device to date, Patek Philippe's Gyromax balance wheel demonstrates the equivalence of simplicity and precision.



fig. 4: Complicated wristwatches circa 1930 (left) and 1990. The golden age of watchmaking will always be with us.



fig. 5: The Geneva Seal is awarded only to watches which achieve the standards of horological purity laid down in the laws of Geneva. These rules define the supreme quality of watchmaking.

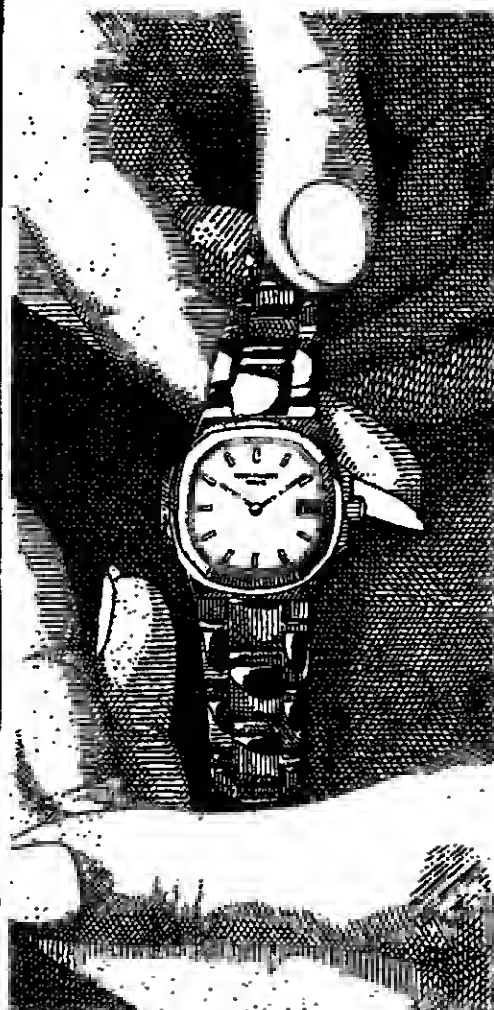


fig. 6: Your pleasure in owning a Patek Philippe is the purpose of those who made it for you.

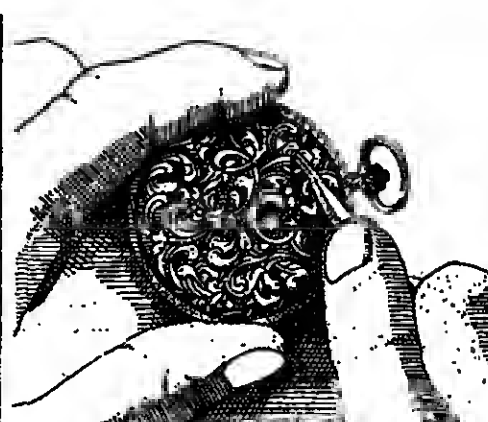
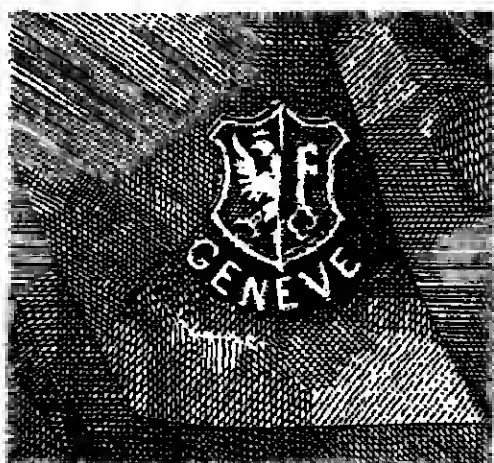


fig. 7: Arabesques come to life on a gold case-back.



fig. 8: An artist working six hours a day takes about four months to complete a miniature in enamel on the case of a pocket-watch.

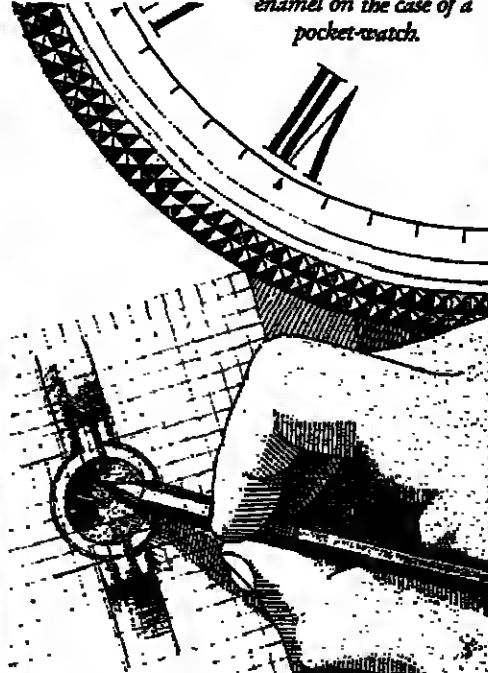


fig. 9: Harmony of design is executed in a work of simplicity and perfection in a lady's Calatrava wristwatch.

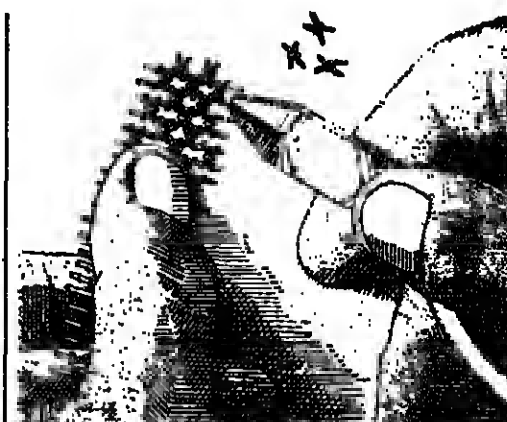


fig. 10: The chainsmith's hands impart strength and delicacy to a tracery of gold.

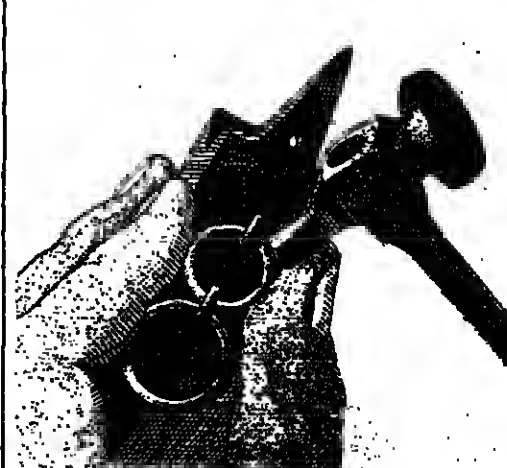


fig. 11: Circles in gold: symbols of perfection in the making.

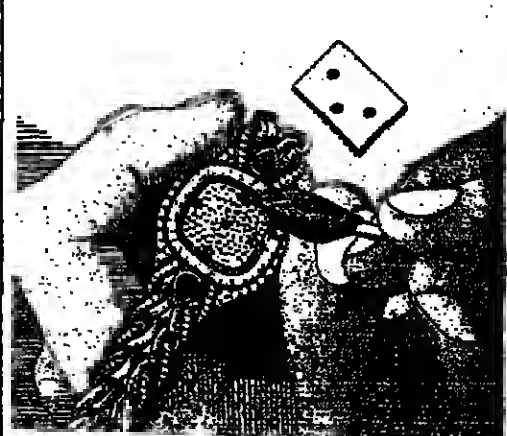


fig. 12: The test of a master lapidary is his ability to express the splendour of precious gemstones.

PATEK PHILIPPE
GENEVE

fig. 13: The discreet sign of those who value their time.

Those who wish to take a more detailed interest in the watches of Patek Philippe may acquire for their libraries Patek Philippe's books on the matter. For a catalogue and order form, please write "catalogue" on your visiting card and send it to Patek Philippe, 41, rue du Rhône, Geneva, Switzerland.

UK NEWS

THE GUINNESS TRIALS

Bankers dishonesty fired by ambition, court told

By Raymond Hughes, Law Courts Correspondent

TWO City of London merchant bankers were yesterday alleged to have crossed the line into dishonesty during a 1986 takeover battle to enhance their reputations as "persons who could make things happen in the City."

Mr Roger Seelig and Lord Spens are accused of committing criminal offences during Guinness's £2.7bn takeover battle with the Argyle supermarket group for Distillers, the Scottish drinks group.

Opening the prosecution for the Serious Fraud Office at Southwark Crown Court, Miss Elizabeth Gloster QC said the two men had been prepared to cross the line which divided what could be legitimately done in a takeover battle from conduct which was dishonest.

"They were prepared to act dishonestly not merely to assist Guinness in winning the takeover battle but also in order to promote and enhance their own individual reputations as persons who could make things happen in the City," Miss Gloster said.

Mr Seelig, former corporate finance director at Morgan Grenfell, Guinness's principal merchant bankers during the bid, and Lord Spens, former corporate finance managing director at Henry Ansbacher, are jointly charged with conspiring to contravene the 1968 Prevention of Fraud (Investments) Act. They are accused of dishonestly conspiring to induce Distillers shareholders to exchange their holdings for Guinness shares. Mr Seelig alone faces another charge under the same act, and two false accounting charges. Lord Spens also faces one false accounting charge.

Both have pleaded not guilty to all charges.

Miss Gloster said that in late 1985 Distillers turned to Guinness for help when faced with an unwelcome takeover bid by Argyle.

From January to April 1986 Argyle and Guinness had fought a hard and bitter battle by means of competing share offers.

To ensure that the price was kept high Guinness mounted a share support operation. Mr Ernest Saunders, Guinness

chief executive, Mr Seelig and others had set about finding people to buy large numbers of Guinness shares. One to whom Mr Seelig turned had been Lord Spens, who in turn had recruited Ansbacher clients as supporters.

Some supporters had been promised that they would be indemnified against any losses they made when they sold their Guinness holdings.

None of the purchases or indemnities, which had created a false market in Guinness shares, had been disclosed to the City authorities.

The vice in the Guinness affair is that the encouragement to purchase or retain Guinness shares was backed by promises of secret indemnities against loss so as to deceive the market into believing these were genuine purchases of large quantities of Guinness shares at high prices.

"The foundation of the charges against Mr Seelig and Lord Spens is that they took part in this deception knowing it to be wrong - in other words their involvement in it was dishonest."

Lord Spens had previously been a director of Morgan Grenfell where he had formed a close working friendship with Mr Seelig. He was not a friend of Guinness as he had crossed swords with Ernest Saunders in an earlier Guinness takeover of the Bells whisky company.

However Lord Spens had wanted to promote a good business relationship between Ansbacher and Morgan Grenfell and acceded to Mr Seelig's request to purchase Guinness shares against an indemnity as part of the support operation.

Miss Gloster said that during the bid Mr Seelig had told Mr Oliver Roux, Guinness's director of finance, that he could find share supporters. He had declined to name them but made it clear that Guinness must commit itself to indemnify them against loss.

The question of support had arisen again in March 1986 when Mr Saunders, who had been obsessed with the performance of the Guinness share price, had put pressure on Morgan Grenfell to provide as

much support as possible.

Mr Seelig had told Mr Roux that one of the supporters was L.F. Rothschild, a New York investment bank with a London subsidiary. Mr Seelig asked LFR to buy up to £25m of Guinness shares on instructions from Morgan Grenfell, which would ensure that LFR was compensated for any loss.

He had not said the compensation would be paid by Guinness and had, wrongly and dishonestly, assured LFR that its purchases would not have to be disclosed. LFR agreed to buy up to £25m shares.

Between April 4 and April 18, when the bid ended, Mr Seelig or his secretary telephoned LFR in London on numerous occasions giving instructions for further purchases totalling about 5.5m Guinness shares.

Unknown to Mr Seelig those telephone calls were taped by Mr Mark Sohn, head of LFR's London office. He had been suspicious of Mr Seelig and apprehensive about whether Morgan Grenfell would honour the indemnity undertaking, said Miss Gloster.

Mr Sohn had been instructed by Mr Seelig to buy nearly 6m Guinness shares before the bid closed. In fact Mr Sohn bought only about 1.5m, the remainder being bought afterwards, when the price had dropped. He had later told Mr Seelig the average purchase price had been 349.3p - the price of the pre-close purchases - when the actual average price had been 322.63p.

After Guinness's victory Mr Sohn had telephoned to congratulate Mr Seelig, who had asked him to give him, on a plain bit of paper, LFR's overall position, to enable him to assess the indemnity position.

After playing a tape recording of that conversation to the jury Miss Gloster suggested that it bore "the unmistakable hallmark of dishonesty". Morgan Grenfell had subsequently bought LFR's Guinness holding to keep it off the market while the price was depressed. Mr Seelig sent genuine invoices to Guinness inflated to cover Morgan Grenfell against an anticipated film loss on resale, Miss Gloster alleged.

The trial continues today.

John Smith: Labour's great persuader

Philip Stephens talks to the man who would be chancellor of the exchequer

MR JOHN SMITH is in the business of reassurance: persuading the voters that a Labour Government would not lose control of spending and taxes; convincing the City that it would not preside over another burst of 1970s-style inflation.

Sitting in his office at Westminster this week, the opposition party's "shadow" chancellor of the exchequer demonstrated just how adept he has become at it. On the eve of the last Labour conference before a general election there were two simple messages.

Ordinary people would not have to pay more income tax under Labour - that was a promise, a commitment, a pledge, anything you liked to call it. The City need not fear a devaluation of the pound - that was an equally unequivocal guarantee.

The interview though started with Mr Smith's ambitions: "What I'm most interested in doing is getting the British economy up to the European level. Every day I think about the fact that we have slipped behind."

It was a recurrent theme. In the new model, pro-European, Labour Party the response to charges that it represents a dark socialist past is a comparison with consensual economic management in France, Germany, Italy. "It's interesting isn't it that Thatcherism never crossed the channel?"

But doesn't every Chancellor Thatcherite. Majorite or Kinnockite want more growth, prosperity? Yes, but there is a long-term problem here. "Since the war we have failed to make the breakthrough to a more productive and competitive economy. What I want to see is the strengthening of what I call the real economy - the manufacturing base, the wealth creating part of the economy."

It is a long-term project. Some ambitions cover a five-year parliament, others a decade. But the route is never in doubt. Mr Smith wants investment, stacks of it - in plant, machinery, infrastructure, and above all, in training. He would always encourage it, sometimes help pay for it.

He would not accept the parallel but the "training revolution" sounds like the 1990s equivalent of Labour prime



John Smith's chances of being in office are not after the election depend on his practised powers of persuasion

minister Mr Harold Wilson's White Heat of Technology. Only this time skills out computer chips are the most important ingredient.

If in 10 years a Labour government delivered that training revolution, creating the best educated and trained workforce in Europe then it would have achieved something it could be proud of. It should be the nation's as much as the government's goal.

But what has Labour learnt from the 1980s about markets?

Mr Smith appears neither an enthusiast nor a critic. "The vast amount of the economy is going to be run by the private sector and it's going to run on market principles. And that's fine. But there are areas where markets fail and where they do the task inadequately."

Who will have the upper hand? "Oh, it's a joint operation". Then the reference to Europe: "This is not even argued about in the rest of continental Europe... People there think it is so obvious that gov-

ernments ought to have a role in economic management."

His plans though will cost money. Investment incentives for industry, new training schemes, and when Labour has promised to put up pensions, increase child benefit, improve the health service, renovate schools, rebuild the inner cities, it will not give a price tag but the Tories say it would quickly add up to £38bn a year. All taxpayers would be 10p in the pound worse off.

Mr Smith dismisses such arithmetic. The only absolute commitments are to raise pensions and child benefit. Those will be paid for by abolishing the ceiling on National Insurance Contributions (NICs) - taking another 9p out of every pound of income from the 3m people who earn more than £20,260 a year - and by raising the top rate of tax from 40p to 50p.

Everything else would have to wait for resources to be freed through the "growth dividend" - the revenue that accrues when tax rates are left unchanged in an expanding economy.

Mr Kinnock once mentioned a figure of £20bn as that dividend, but Mr Smith is an admirer of the broad sweep approach adopted by Mrs Margaret Thatcher in her election manifesto. Principles are better than precise figures.

"The political argument for the 1990s is: what is that money (the dividend) going to be used for. You either say this will permit us to cut taxation. Or you say the needs of the public sector are predominant and therefore we will spend it on public services, investment."

The Tories were committed to cutting the basic rate by 5p. Labour would spend that money in the public sector.

So would he promise there would be no income tax increases for the 20m people who earn less than £20,260? Under his plans for several new hands of income tax running from below 20 per cent to 50 per cent surely some people now paying just 25p would find part of their income taxed at 30p or 35p?

Now Mr Smith was clearer than ever before that the new system would not be a cover to put up everyone's income tax. He pledged that, whatever the rates and thresholds of the new

bands, an individual whose earnings were below the NICs ceiling "will not pay any extra income tax".

The question was put again more precisely: So everyone earning below the NICs ceiling has a guarantee that whatever the thresholds Labour introduces their tax bill will not rise? "That's right". Then to reinforce the point: "It is quite clear that people earning below the upper limit for NICs will not pay any increased income tax under a Labour Government."

It was time to move on to calming the City.

What it worries about is that if Mr Smith found himself facing a run on the pound he might opt for devaluation rather than raise interest rates. How firm was his commitment to the present rate of DM2.95 in the Exchange Rate Mechanism? Could he give a clear simple answer? He could.

"We regard it as an obligation that has been entered into which we will maintain. It is quite clear and it is quite specific. We are not going to change the rate." But what if Labour decided to move to the narrow ERM bands, would he stick to DM2.95 in that context? "Even in that context. We are not going to change the rate. You asked for a clear simple answer and that's a very clear simple answer. And then..."

He returned to an earlier theme. The government should intervene on the supply side of the economy to encourage investment but it should not seek to manipulate demand through interest and exchange rates. "The overriding purpose of macroeconomic policy is economic stability. With stable interest rates and stable exchange rates we are more likely to get investment to flourish."

There was time for a word about his personal ambitions. Anyone who knows Mr Smith knows also that one day he would like to lead the Labour Party. "I am happy to be shadow chancellor, I hope to be chancellor under a Labour government headed by Neil Kinnock". Talk of a pre-election push was simply "ludicrous".

Mr Kinnock will sleep soundly. As for the voters and the City, Mr Smith will have to wait and see.

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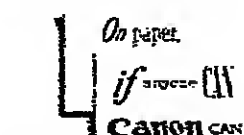
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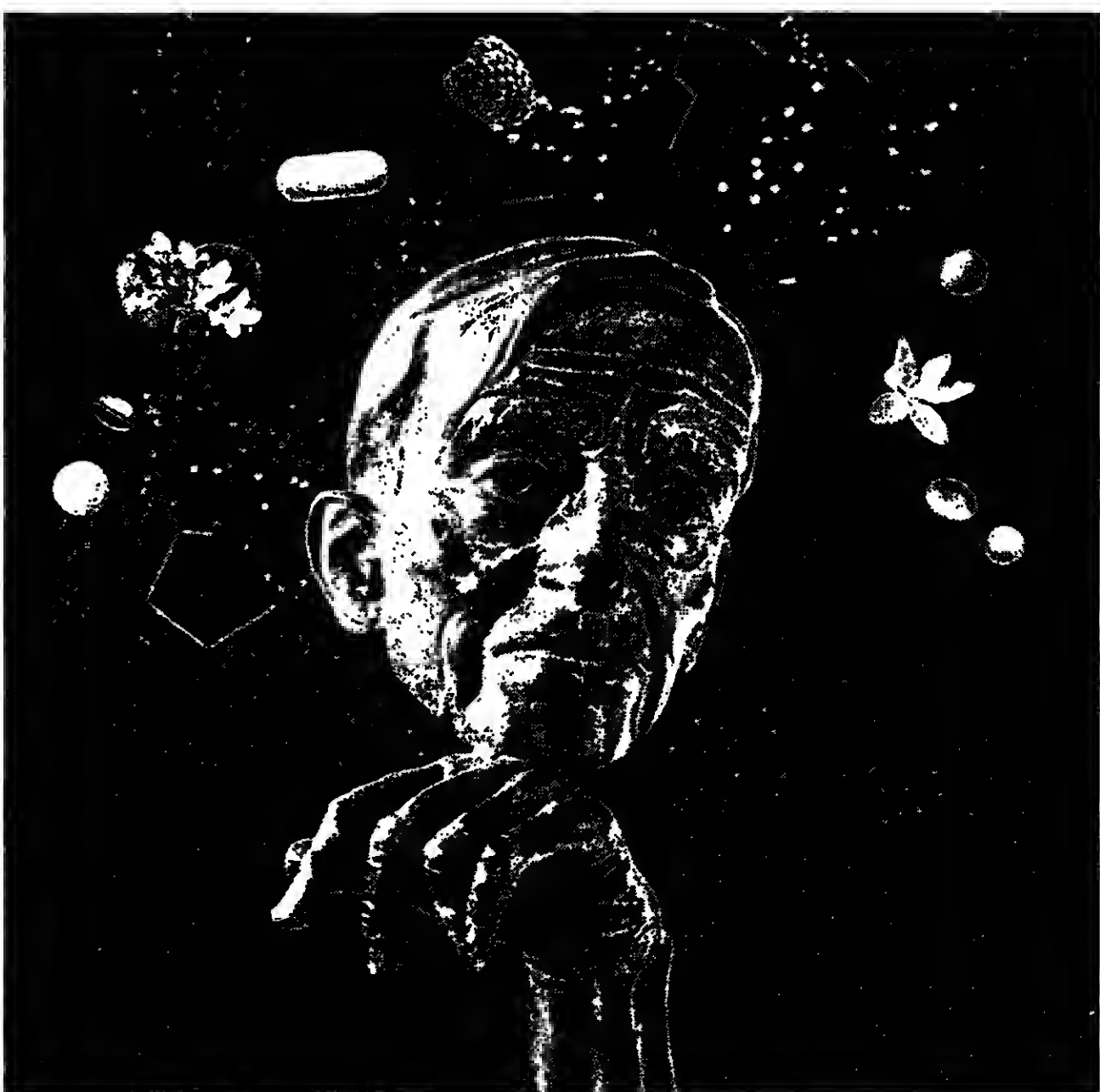
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THE PROPERTY MARKET

Business parks on a grand scale

By Vanessa Houlder

Mr Jim Cookson, the chairman of European Land, likes to think big and to develop "on a scale where we cannot be ignored".

To that end he has drawn up plans for a series of business parks set in extensive countryside sites. The grandiose aim, he says, is to "balance wealth creation with recreation". He seems to relish the opportunity to remould the countryside. "Who last did that?" he asks. "Capability Brown 200 years ago."

Mr Cookson is proud of the social benefits he believes his schemes could bring. A proposal for a 2,000-acre site in the green belt near Newcastle airport could reduce unemployment in the area by up to 13 per cent, according to a report published this week. It was commissioned by European Land and carried out by W A Fairhurst, an engineering company, and Nathaniel Lichfield, planners.

European Land estimates that the "Newcastle Great Park" scheme, which includes housing, industry, a 36-hole golf course and a country park, could provide 15,000 jobs. An extension to the airport and two new by-passes would make these jobs widely accessible to the inner city, Mr Cookson claims.

European Land's projections of the jobs that could be created by its developments are treated sceptically by some observers. Many are unhappy at giving up green belt land and incredulous at the idea that they should be grateful for the country park when it was countryside at the outset. Mr Cookson rejects these arguments.

The area is "an environmental desert", he says. In his view it consists of sub-standard farming land, with no hedges, and angry farmers who chase away people walking their dogs. In its place, he envisages 1,000 unfenced acres well-stocked with trees.

He scoffs at the idea of new business sites in the urban centre, claiming incoming businesses do not want to be on cleared sites in deprived areas. He believes the few remaining green areas in the city centre should be preserved.

This argument is broadly supported by Newcastle City Council and European Land's proposals have been incorporated into the city's draft structure plan.

European Land is no stranger to planning debates. Its first large-scale proposal was at Ashford, Kent, where it assembled options for a site at a time when prospects for the Channel tunnel were uncertain.

The scheme, which is now being pursued in partnership with Inry and the Church Commissioners, was stalled by Mr Christopher Patten, the environment secretary, at the end of 1988. He ruled that it should be considered when the local plan is finalised in a couple of years.

Mr Cookson is scathing about what he calls "knee-jerk" opposition to development in the south of England. "East Kent behaves as if it was part of the affluent south-east and it is not," he says. However, he claims most people prefer the idea of the great park to the alternative of "ruining" small villages.

An even more ambitious scheme - totalling £2bn and 10,000 acres - in Spain has presented far fewer planning problems for European Land, says Mr Cookson. The company was invited to launch a scheme, he says, by the regional government, which had heard of the Ashford and Newcastle plans.

With the opening up of eastern Europe they felt they had to move and get their investment in place," Mr Cookson says. He is seeking finance and expects work to start in 1992.

Other schemes include "great parks" at Northumberland, Ashford and Harrogate

and a more modest scheme at Darlington (which has just gained planning permission). Others are in the pipeline.

For someone with such ambitious plans, Mr Cookson has had a surprisingly low public profile. He started his career in the contracting industry. One of his first jobs was supervising "50 drunken Irishmen, 50 storeys up" on the night shift during the building of Centre Point, the London office block.

After a spell at Wimpey he moved to Wakefield where he ran the north of England operations of the Scottish builder James Miller and Partners.

He went on his own after working on the first phase of the North Shields shopping centre, which Miller built with CIN, the coal board's pension fund, in 1981. CIN dealt with Mr Cookson direct on the second phase.

"We took a chance on Jim for the second phase," says CIN's Mr Paul Mason. "Jim understands the development process because he has spent a lot of time in the business. He is also blessed with the ability to look over the edge of the trench. He has basic experience and flair."

CIN and Cookson then worked on a complex £30m retail scheme in Wigan town

centre. It was completed in May this year and is 90 per cent let. European Land acted as project manager and also receives a portion of the profits.

After Wigan, European Land moved away from development. "Development is wonderfully exciting and macho and doesn't make money," says Mr Cookson. "You always worry. 'Will you get the last shop away?'"

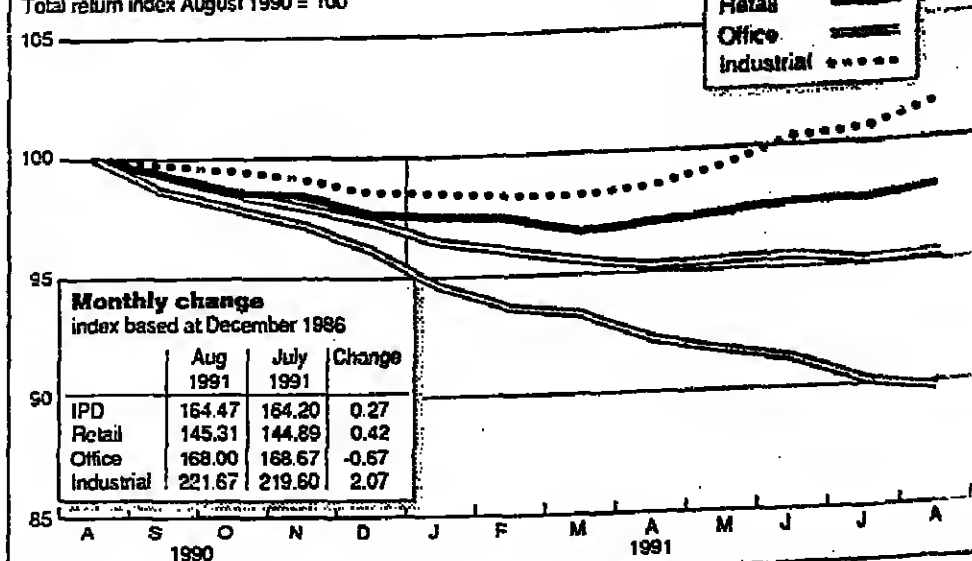
The alternative to development he conceived is "land wholesaling". This involves assembling a land bank, gaining planning permission and feeding out land in parcels to developers, in such a way that the market is not flooded.

The concept won the support of CIN. "We thought we should look at something else than offices and retail," says Mr Mason.

At the root of European Land's project is the pivotal impact of planning permission. "If you look at development, the major uplift is on planning permission," says Mr Cookson. "If you take a 10-year view of development, the uplift is enormous."

And what of the risks? "I am exceptionally confident that the schemes would go through," he says. "But if only one in three went through, we would still cover our costs."

IPD monthly index
Total return index August 1990 = 100



Improving performance

The Investment Property Databank (IPD) has recorded the best annual performance of commercial property since October 1990, with a drop in total returns of 4.7 per cent.

The change in the IPD total return index in August was 0.2 per cent. This marked a return to the positive rates recorded in May and June, following what IPD describes as some sizeable "one-off adjustments" in the July results.

Rental value growth remained constant at 0.5 per cent, while capital values

showed an improvement over the previous month's poor results, with a decline of 0.5 per cent.

The overall results continued to be pulled down by the London market, where both rental values and capital values in all sectors fell at a significantly greater rate than in any other region.

Industrial property was the best performing sector in August. The year-on-year results recorded a positive return for the second month running.

Retail returns also appear to

be improving, by 0.3 per cent to 0.3 per cent in August. This was reflected in the year-on-year results, with the highest return achieved for a year of -1.0 per cent.

Offices continued to show the poorest results, with a drop of 0.4 per cent for the month and 10.3 per cent for the year to August. Yields moved outwards and the equivalent yield now stands at 9.6 per cent a year, the highest level recorded by IPD.

All three sectors registered a further decline in rental values.

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Employees: 338 (20/25/18/22/34/24) F 102

Mechanical Engineering Company in Berlin-Adlershof
Consulting, pre-planning, project management and technical detail planning for installations that process agrarian raw materials.
Employees: 80 (3/28/9/19/0/0) F 103

Machine Factory in Berlin-Treptow
Production of tools for thread manufacture, structural elements for machine tools (electrode wheel heads, rotary shears, etc.); smoothing roll tools.
Employees: 22 (5/9/15/1/0) F 104

Association for Design & Building of Industrial Plants in Berlin-Mitte
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Employees: 61 (20/21/17/2/0) F 105

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Construction and production of a wide range of devices, structural elements and control systems for industry and leisure sector.
Employees: 20 (4/3/12/0/0) F 106

Ventilation Products in Berlin-Lichtenberg
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Engineering & Planning Offices
Civil Engineering Office in Berlin-Friedrichshagen
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Civil Engineering Office in Berlin-Friedrichshagen
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Employees: 44 (21/12/1/1/0/0) F 109

Civil Engineering Office in Berlin-Mitte
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Employees: 241 (11/3/70/0/4/0/0) F 110

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Employees: 14 (0/0/12/1/0/0) F 111

Civil Engineering Association in Berlin-Lichtenberg
Consulting, pre-planning, project management and technical detail planning for installations processing agrarian raw materials.
Employees: 80 (33/28/0/19/0/0) F 112

Engineering & Design Office in Berlin-Weissenhof
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Employees: 63 (31/14/1/7/0/0) F 113

Building Design & Site Supervision in Berlin-Mitte
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Construction Contractor in Berlin-Treptow
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Employees: 12 (1/1/0/1/0/0/0) F 116

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Employees: 134 (8/25/485/5/9) F 120

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Information Systems for Business and Trade in Berlin-Friedrichshagen
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Employees: 20 (10/3/0/7/0/0) F 122

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TECHNOLOGY

David Boggis on Airbus's approach to building aeroplanes that share as many parts as possible

Wing designs branch out

Passenger jet aircraft replacement forecast

*Replacement: removal from current operator service

	1990-94	1995-99	2000-04	2004-09	TOTAL
210/250 seats					
Europe	19	23	68	71	181
North America	27	5	70	92	194
Asia/Pacific	17	36	78	91	222
Rest of world	15	8	56	40	119
Yearly total	78	72	272	294	716
300/350 seats					
Europe	77	29	26	-	132
North America	143	125	47	5	320
Asia/Pacific	8	55	22	6	91
Rest of world	22	40	20	-	82
Yearly total	250	249	115	11	625

Source: Airbus Industrie

Technology is the path aeroplanes manufacturers are following in their quest to stay competitive in the ferocious battle for orders.

In producing the most sophisticated aircraft the challenge is to keep initial costs and running expenses as low as possible.

Among the developments which Airbus, the European consortium, is pursuing for its A330-A340 family of medium and long-range jets is "commonality" - sharing as many parts as possible between different aircraft types.

Both types of airliner will carry 335 passengers. But the A330, a twin-engine aircraft, will fly over ranges of up to 4,750 nautical miles - western Europe to the US Midwest, say - while the four-engine A340 will travel up to 7,550 nautical miles - say western Europe to Singapore. The A340, the closest of the pair to completion, is scheduled to make its first flight next month.

The principle of commonality is most strikingly visible in the fuselage. Airbus adopts the same fuselage cross-section for the A330 and the A340 as it has used successfully for its A300 and A310 twin-engine aircraft, which since the 1970s have been operated widely, initially in Europe and later throughout the world. Economies of scale are achieved by sharing as many structural parts as possible between different members of the Airbus family of aircraft. Costs can then be kept down.

In the A330 and A340, this principle has been taken a stage further, to include the wing. Engineers were faced with the task of designing a wing that operates as efficiently as possible while carrying either two or four large,

heavy and powerful turbofan engines.

The wings were designed at Filton, near Bristol, by British Aerospace, and built at BAE's plant at Chester. BAE has built the wings for all Airbus's aircraft to date, starting with the A300, which entered service in 1974. The A330/A340 wing is the biggest to have gone into

production in the UK.

The designers have adopted two approaches to achieving the best possible lift-drag ratio - the lift performance as a proportion of the resulting aerodynamic drag. The extra lift from this type of wing converts directly into improved fuel consumption. They have designed a wing

which is long and narrow, like that of a glider. It also has what engineers call a "super-critical" wing section - one where, at cruising speeds, part of the airflow over the top curve actually moves, for a few instants, in a backward direction, although the aircraft itself does not fly faster than sound. Both features contribute to

improving the lift-drag ratio. In designing such a high-performance wing, BAE engineers working for Airbus faced the task of how to adapt the wing to carry either two very heavy engines or four somewhat lighter engines. This was overcome by the positioning of the outer engines.

Bob McKinlay, managing director of BAE's commercial aircraft division, has been involved with the A330/A340 wing since the design stage. "The weight of the engines and the position of the engines on the wing is quite important in arriving at this design," he explains. The wing is primarily based on the twin-engine aircraft. The four-engine A340 was considered later.

The A330 is powered, typically, by two US Pratt & Whitney PW 4000 or General Electric CF6 engines. The A340's four engines are, typically, the US-French GE-Snecma CFM56. Given that the basic wing is the same, the design differences for the A330 twin, the heavier weight of the four-engine A340 results in different stresses on the wing. On the A340, the bending moment is simply counteracted by the weight of the outer engines.

Both aircraft have similar fuel capacity in the wing. The A340 wing, however, provides greater lift, which has been translated into greater range, so that, unlike its twin-engine sister, the A330 can cross the Pacific comfortably.

Airbus is conscious of being a newcomer to the rough-and-tumble world of big-airliner manufacturing and marketing. With the A330-A340, it believes it has a winning design to last into the next century, and that technology will bring it in on a wing but no prayer.

Colour screens make their mark

JAPANESE electronics manufacturers, which dominate screen technology, are battling to produce the most sophisticated colour laptop computers.

NEC has developed a portable computer which, it claims, can display a much greater range of colour than previous machines.

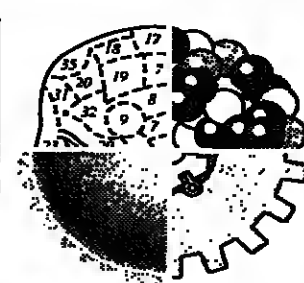
The ProSpeed 486SX/C uses thin film transistor (TFT) active matrix technology, in which each of the pixels (picture elements) which makes up the screen is controlled by three transistors - one for each of the three primary colours. The breakthrough for NEC has been in subpixel controlling the mix of the three colours so that a total of 256 different hues can be viewed on the 10.4-inch screen at any one time. This control is achieved through the use of specialised chips.

Versions of the machine, based on the Intel 80486SX processor chip, are available in Japan, Europe and the US. In the UK they will be priced below £7,000. Sharp, which supplies many of the TFT screens used by other Japanese and US laptop computer makers as well as those sold under its own name, has developed a colour screen for notebook computers which significantly reduces the power consumption - one of the biggest drawbacks with battery-powered machines.

Due to the development of a novel liquid-crystal material out of which to make the screens, Sharp is claiming a 70 per cent reduction in power consumption. A new backlighting system also contributes to a reduction in the power used by the 8.4-inch colour screen. By using a special fluorescent tube and an efficient light guide, Sharp says the system consumes a quarter of the power of previous models.

Polystyrene in for the crunch

EXPANDED polystyrene, the packaging material used to protect everything from defence equipment to television sets, is easy to recycle. The problem is that the material is so bulky that it is uneconomical to transport from rubbish dumps or factories to the recycling plants. A compaction system has now been devised which its



WORTH WATCHING

by Della Bradshaw

Developers believe could remove 95 per cent of the transportation costs. The machine, developed by Plasgreen, of Bury, Lancashire, squashes up to 400kgs of expanded polystyrene an hour, producing briquettes just one-tenth of the size of the original material.

The machine uses three hydraulic rams which compact the material horizontally and vertically, pushing out the air. Plasgreen has developed a way of compressing the material so that it does not spring back into shape once it leaves the machine.

The compaction system can be purchased outright. As an alternative, Plasgreen is offering to put the machines, free of charge, on sites where huge amounts of the waste material are produced. The company then removes the material for processing at its recycling plant.

Video meetings come of age

A VIDEOCONFERENCE system which costs just £17,000 has been introduced in Europe by PictureTel, of Peabody, Massachusetts.

The machine, the Model 20, uses two dial-up 64 kbit/s phone lines - the cost being provided by most of Europe's phone companies in their integrated services digital network (ISDN) programmes.

The advantage of dial-up systems is that they can be wheeled from room to room and plugged into any ISDN socket. And because the caller only pays for the transmission in the same way as an ordinary phone call, older systems used rented lines which had to be paid for 24 hours a day - the costs are much lower. PictureTel estimates that a videoconference

between two UK sites would cost £12-£15 an hour and between the UK and the US £160 an hour. PictureTel has reduced the cost of equipment by developing specialised chips, so that the latest machines have fewer components than previous models.

Military network in civilian role

A HIGH-capacity networking technology, developed in the 1980s for military use, is about to find a new use in France for businesses.

Electronics company Thomson-CSF is building a communications network for France Telecom, the French phone company. The network will use a novel technology called ATM (asynchronous transfer mode) which allows data transmission of up to 60m bits (megabits) of information a second - compared with a norm of 2 Mbit/s today.

Voice, data or video can be sent over such networks. On entering the ATM network the digital information is divided into fixed size packets, each of which is given its own identifying code. The packets are then sent through the network, and the information restored to its original form on leaving the network.

Material to keep the bugs out

A RANGE of materials which could be used in anti-bugging wallpaper and anti-spy computer protection has won a scientist from the Cookson Group, of London, the Monty Finlinton award for products based on scientific advance.

The conductive polymer, which can be sprayed or stuck on, was developed by Poopathi Kathiramanathan, who says the idea came to him in the bath. The organic powder works by preventing electromagnetic "noise", which is emitted by all electrical and electronic equipment, from passing through. This prevents outsiders from detecting the emissions, which could otherwise be deciphered for espionage purposes. However, the biggest applications for the new material is likely to be more mundane: for shielding cables.

Contact: NEC, Japan, 03 3454 1111; UK, 081 993 8111; Sharp, Japan, 06 621 1221; Plasgreen, UK, 061 761 5741; PictureTel, US, 508 877 8500; UK, 0629 773738; Thomson-CSF, France, 1 40 07 80 00; Cookson, UK, 071 606 4400.

Swift flight for cargo

With trials of a computerised bar-coding facility for warehouse inventory control successfully completed, KLM, the Dutch airline, claims its redesigned 17.5m air freight terminal at London's Heathrow airport operates the most sophisticated cargo handling system in the world.

The specially designed information technology system, the London Inventory Control System (LICS), is helping to cut the warehouse's handling time for imports by nearly a third.

Two years ago the KLM cargo handling facility at Heathrow was losing some \$900,000 a year through inefficiency. This year, according to

Jack Hofstra, cargo manager for UK & Ireland, the facility is making a profit for the first time.

The changes at Heathrow are the result of a decision by KLM to double throughput from 40,000 tonnes a year to 80,000 tonnes and increase the number of handling contracts with other airlines.

In addition to the LICS system, developed by IBM, KLM has introduced a narrow aisle racking system and a computer-controlled pallet container handling system. The systems

are linked with Cargolux, KLM's computer tracking system which has more than 450 terminals worldwide and can be consulted for up-to-the-minute data on any shipment.

As well as monitoring movements, Cargolux also finds the optimum match between cargo volume and aircraft capacity and gives advance information on all incoming flights, so that warehouse space can be allocated well in advance of cargo arrival - an important factor when transporting perishable goods.

It also feeds information

directly to Customs & Excise and automatically updates the Cargo data. The bar-coded labels contain alphanumerical numbers and other information to allow accurate tracking of the consignments. Warehousemen read the coded labels with hand-held scanners, thereby automatically registering every single movement which the consignment undergoes. Instructions to the warehouse are relayed through computer terminals fitted to forklift trucks.

The new IT systems have reduced import handling time by more than one and a half hours to less than four hours.

Michael Terry

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- Re-thinking Policies
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Brian Brooks is a Principal of Towers Perrin and is based in the London consulting office. Previously, he was Compensation Practice Leader for Towers Perrin in New York. Brian has managed major consulting assignments for a variety of clients in the areas of global incentive compensation programmes, sales incentive plans, international equity programmes, tax-effective compensation planning, expatriate remuneration policies etc. A regular speaker, Brian has also published a number of articles on subjects related to international compensation management, including the implications of 1992.

Please note that places at the Breakfast are strictly limited.

If you wish to attend the Business Breakfast, write to Rachelle Nelson at Robert Half, Freeport, Walter House, Bedford Street, 418 The Strand, London WC2R. (Telephones: 071-836 3545).

COMPANY NOTICES

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Agent: Bank and
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LEGAL NOTICES

NOTICE OF APPOINTMENT OF LPA RECEIVERS

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Notice is hereby given that Michael Joseph Moore and David James Waterhouse of Cook, Curly, Allott Court, 5, Abchurch Lane, London EC4A 3DF were appointed LPA Receivers of the above named companies by Bradford & Bingley Building Society on 28 September 1991.

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MANAGEMENT

MAP provides the route to success

Rhys David reports on the award-winning use of venture capital

Outside the Anglo-Saxon departments of a few universities there are not many people in Britain with a robust knowledge of the Icelandic language.

Yet, inspired by his passion for fish and, in particular, his interest in obtaining the best sources of supply, this is a skill which Peter Vassallo has acquired.

Vassallo is the 43-year-old managing director of Vassallo Sea Foods in Newcastle-upon-Tyne, and the winner of this year's Venture of the Year Award, sponsored annually by Cartier the Jewellers and the British Venture Capital Association.

Now in its second year, the award aims to find the individual who over a five-year period has made the best use of venture capital in developing or expanding a business.

Vassallo won the award for the transformation of what had been a family fishmongering business into one of the main suppliers of fish to Britain's supermarkets. He follows in the footsteps of Tim Hely-Hutchinson of Headline Publishing, the successful book publishing company.

Just four years ago, Vassallo received the injection of venture capital funds needed to make the leap in scale he saw as necessary if he was to achieve his ambitions.

Earlier this year, he sold the business for £13m to food and vegetable wholesaler Albert Fisher, one of many suitors which had sought to buy his and his company's expertise.

Vassallo's success has been based not just on a very detailed knowledge of the fish business, acquired since boyhood when he used to accompany his father to the fish market in North Shields on an old steam ferry.

The judges decided he had shown considerable business vision - namely the ability to spot in advance, and anticipate to his company's advantage, the changes taking place in the sourcing, processing, marketing and sale of fish.

They concluded that his efficient use of the funds made available had helped to establish a healthy business and provided his backers with a very good return on their investment.

Vassallo, who had started his career as a teacher before taking over his father's business on his retirement, recognised in the early 1980s that traditional retail fish shops were coming under threat from higher cost of fish and from



Peter Vassallo: transformed family business into one of Britain's main fish suppliers

changing social patterns. With more women at work, it was clear that an increasing proportion of fish sales would be taken by supermarket chains, offering all the advantages of one-stop shopping.

Partly as a result of this trend, and also because of the loss of deep-sea fishing waters following the Cod Wars of the 1960s, an increasing proportion of fish sales were now of frozen fish. Yet with consumer standards rising it was clear there could still be good opportunities to increase sales of fresh fish, if it could be obtained and supplied economically to the public.

His response was to set up one, and then a series, of bars selling fresh fish in local supermarkets, but such a business, still based at that time on the fish he was himself personally purchasing at the quayside, had limited expansion opportunities.

The way ahead was through a new packaging process, modified atmosphere packaging (MAP), the use of which was then growing in the meat industry.

This makes it possible to extend the shelf life of fresh foods by chilling and sealing

them in packs with a special air mixture. In the case of fish, the process also had the advantage of presenting the product in an odour and drip-free pack on which cooking instructions, weight and other information could be printed.

Between 1984 and 1987, Vassallo was able to establish trading relationships with a number of supermarket chains to supply MAP fish, but he needed a larger operational base than the 2,000 sq ft factory he was occupying to secure the credibility to win bigger nationwide accounts.

At this stage the business was making only marginal profits and expansion could not be financed wholly through normal bank facilities.

His accountant, Geoff Norman, of Arthur Young in Newcastle, introduced him to Tim Levett of Northern Venture Managers, who decided the risk was a good one. They made available a total of £800,000 through a group known as Northern Investors, in return for a 35 per cent stake in a newly-formed company, and this was topped up to more than £1m by bank

funding and DTI grants. With the aid of these funds, Vassallo was able in 1987 to move into, and equip with packing lines, a 20,000 sq ft purpose-built cook-chill factory which had been established by the area health authority in the grounds of a Gosforth hospital.

It had been intended to supply local hospitals with centralised catering services from the site but the plan had not worked, leaving the health authority with an expensive white elephant which they were glad to lease.

Since the move, the business's growth has been rapid, taking it to a point where it now vies for market leadership in the supply of packed and chilled fresh fish with Young's Seafoods, claiming around 30 per cent of market share. Since 1987 employment has grown from 70 to more than 200 people and sales per employee from £77,000 to £135,000.

Latest annual sales at £27m contrast with under £3m in the last year before the injection of funds, and, though profits before tax at £1.3m in the year to the end of July 1991 are relatively modest, they have been earned in a sector - fresh

foods - where margins are very tight for suppliers.

The company's client list now includes J Sainsbury, Tesco, Safeway, Waitrose, Asda and the Co-op, as well as other smaller chains, and its products are sold under both own label and brand names.

Sources of supply have been diversified, too. Strong links have been forged with Iceland, Vassallo's main source of supply, and, when required, the company flies in fresh fish from Iceland to Glasgow or Newcastle.

Though costs are higher than for fish landed by sea, the willingness to meet demand in this way has helped cement relationships with customers.

Quality is maintained by a rigorous system of inspection by Vassallo's own teams which now covers 47 suppliers' plants in Iceland, Greenland, Denmark, Norway and the UK, and is reinforced by the company's commitment to high-quality standards in its own plant.

Earlier this year Vassallo's Newcastle plant became the first in the sector to gain the UK quality standard, BS5750, awarded only where a company's total quality management system is assessed as being fully adequate.

As the company has grown, Vassallo has recognised the limits to his own ability to manage all aspects of the operation, as in the earliest days, though when in the factory he can keep an eye on all departments through a bank of monitors located in different departments.

It is perhaps all the more surprising, therefore, that he should have decided to allow ultimate control to pass out of his hands with the sale to Albert Fisher.

"I had never thought of being anything other than independent," he confesses, "but I was very keen to see the company grow further. I wanted to take the company into Europe to replicate what we have achieved here, but if we had waited until we had had the resources, we would have missed the boat."

According to Vassallo, Albert Fisher was a known quantity with a hands-off management style which will enable him to continue to run the business much as before.

Moreover, although he will concentrate on building up Vassallo further during the next year, while he completes an earn-out, it is clear that there are wider management possibilities for him later within the Albert Fisher group, which has other fish interests.

Setting standards to keep customers loyal

By Andrew Jack

If one word has come to dominate the vocabulary of trendy management more than any other over the last decade, it would have to be "quality". The concept is now beginning to gain wide acceptance in the UK.

The need is undeniable. According to statistics gathered from service sector companies in North America which have been collated in a recent report by the CMC Partnership, a management consultancy specialising in quality issues, 70 per cent of customers dissatisfied with the service they receive will go elsewhere, but only 5 per cent will tell you they are unhappy.

Other figures are just as worrying. Dissatisfied customers tell an average of 10 people about their bad experiences, while satisfied customers tell only five. It typically costs five times more to attract a new customer than to keep an existing one.

On the other hand, 95 per cent of dissatisfied customers will become loyal again if their complaints are handled quickly and well.

However, vague statistics like these may be, it is undeniable that interest in quality has grown rapidly. The British Standards Institution (BSI), the independent body which issues the "kite mark" and is dedicated to improving standards under its Royal Charter, introduced a Quality Management System standard, BS 5750, in 1978. About 12,000 companies have since been registered. It seems a far cry from the BSI's first standard - for train lines - at the start of the century.

Patricia O'Rourke from the BSI stresses: "Quality management is quite different from quality control." She says the latter is about screening products or services to weed out any that are faulty. Quality management, by contrast, is designed to ensure that faults do not occur in the first place - or at least that they can be quickly traced and rectified once they are detected.

Applicants have to compile a quality manual which contains every procedure involved in the production of a product or service. They are then audited,

either by the BSI or by one of 13 other specialist consultants. The whole process generally takes between three and 18 months, depending on how near to the standards the company's practices already were.

The first organisations to qualify for BS 5750 tended to be from the manufacturing and heavy engineering sectors, a trend which reflects a Ministry of Defence specification for its own contractors.

Now applications are far more diverse. Most major car dealerships are working towards the standard. Over the past few years, service sector companies have shown greater interest. There are solicitors and recruitment consultants among those already registered. Management consultants and hotels are among other industries seeking registration. A set of guidelines for services will be published by the BSI next week.

The BSI has not compiled detailed statistics showing the value of the standard, but O'Rourke says: "We are constantly getting reports that it is proving cost effective." She says some companies use it as a marketing tool, while others have been forced to apply after pressure from their other business customers. At the same time, the Department of Trade and Industry has provided some incentive through its Enterprise Initiative programme, which will typically reimburse 50 per cent of up to 15 days' worth of consultancy fees to help introduce quality management.

The CMC Partnership surveyed about 50 companies earlier this year to assess their attitudes towards quality management. In line with BSI's experience, those which had not formally adopted quality standards felt that a standard would be bureaucratic and stifle entrepreneurial skill. Those which had, cited management philosophy, customer demand and competition as the main factors.

Most companies which applied for BS 5750 registration experienced difficulties, meeting the requirements, and

were surprised by the time taken to achieve certification. None had attained - or expected to reach - the standards in less than two years.

More than three-quarters hired a consultant to help them gain certification, believing that it would speed implementation, or because they did not have sufficient in-house expertise.

Those who were implementing the standards without outside assistance argued a consultant was too expensive, or would have no appreciation of their business.

Half the companies implementing quality systems said the process involved more tweaking of existing procedures, while the remainder had to conduct major structural change.

Among the benefits from change were a reduction in errors and wastage, improved productivity, fewer recruitment problems, a smoother move into European markets and greater credibility with potential customers.

However, the practices adopted by one defence electronics company reflected the concern of managers that the concept of quality would be received sceptically by staff. A total quality manager was hired but he deliberately kept a low profile for four months, meeting only senior management and resisting any publicity which might generate false expectations of any change.

The manager was gradually phased on through team training sessions for managers, every one of which was attended by the general manager. As an executive in another company remarked when asked to give advice to others on implementing quality systems: "Sort out your management first."

Attitudes within British business to quality management systems. The CMC Partnership, *The Old Stables, 4 Miller Rd, Burnham, Buckinghamshire, SL1 7PB.*

British Standards Institution, *Guide to quality management and quality systems: elements for services. Available from October 1 from BSI Sales, 389 Chiswick, Uxbridge, Middlesex, Uxbridge, MK14 6LE. Price £38.*

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NOTICE IS HEREBY GIVEN that the above named companies are being sold by the Joint Administrative Receivers.

No. 007932 of 1991

IN THE HIGH COURT OF JUSTICE
CHANCERY DIVISION

IN THE MATTER OF LEICA PLC - and -

IN THE MATTER OF THE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that a Petition was filed in the High Court of Justice for the winding up of the above-named Company.

AND NOTICE IS FURTHER GIVEN that the said Petition is directed to be held before the Honorable Mr Justice Hoffmann at the Royal Courts of Justice, Strand, London WC2A 2LL on Monday the 7th day of October 1991.

ANY Creditors or Shareholders of the said Company desiring to oppose the making of an Order for the winding up of the said Company should appear at the hearing of the said Petition in person or by Counsel for that purpose.

A copy of the said Petition will be furnished to any such person requiring the same by the undersigned Solicitors on payment of the regulated charge for the same.

Dated this 25th day of September 1991

Solihull and May of 38 Grosvenor Street, London EC2V 8BS

Solicitors for the said Company

PERSONAL

AUTHORS Your book published Details: Executive Press of London, 15 Finsbury Bridge Green, London, EC2A 3DL

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ARTS

Siobhan Davies Company Tribute paid to a violent lady

QUEEN ELIZABETH HALL

In 1874, Siobhan Davies produced *Pilot*, her first dance, a quietly penetrating view of a group of travellers. Since then, her choreographic manner has, at its best, exposed feeling and ideas through a movement language that kept a certain distance from its subject without losing vital contact with it. (At worst, her dances have looked analytically remote, blanched of experience - but these are a minority). In her company's autumn programme, on view at the QEH on Wednesday night, she showed us a new piece, *Arctic Heart*, in tandem with last year's *Different Trains*.

On a first and single viewing, *Arctic Heart* seems to me to have too much of the Arctic in it and not enough heart. Its inspiration is a text,

by the American writer Gretel Ehrlich, dealing with her solitude in a small Eskimo village in the remote Canadian north-west. Naively rhapsodic about ice and sky and wind, and what must have been remarkably hardy couplings, it is spoken throughout the dance with a minimal and undistinguished accompaniment by John Marc Gowan. And here lies a flaw, for the piece is torn in two directions by our understanding of the text and our response to movement which is not illustrative but contemplative. Indeed, the dance manner proposed by most of Davies' artists (the company comprises three women, three men) is self-absorbed, self-conscious, so that they seem untouched both by the vocalists and by the dance. Only in Paul Douglas's performance do urgencies of feeling, vigour of response to the choreography, impel the movement - and the piece itself - into warm-hearted theatrical life. Otherwise the loops, curves and falls of the action, as the dancers lean on each other, look as if they had been kept in a freezer in order to maintain the correct Arctic climate of the emotions.

There is a set by David Buckland that contrasts a backdrop featuring a dream-like female nude with a floorcloth in icy colours, marked with faint images. The reason is, of course, that these two ideas, between frozen climate and human nature, do not sound loudly enough in performance. Such polarities are much clearer in the second work of the programme, *Different Trains*, which was created last year and admired in these pages by Alastair Macaulay. Steve Reich's score (whence the work takes its name) is a changing, hard-driven string quartet layered with text and pre-recorded quartet writing. It confronts Reich's own childhood train trips across America in the early 1940s with those nightmare cattle-truck journeys taken by Jewish children in Nazi Europe at the same time. The theme must ever be one of gliding horror, and Siobhan Davies' choreography might seem too much under control, but the movement has an energy and a dynamic quality - rather like a sequence of brief film clips of incidents - that show her dancers as people rather than as cyphers. Paul Douglas was again a fine and vivid presence, and a newcomer, Deborah Saxon, possesses a fine linear quality - reminiscent of Siobhan Davies' own performances.

Clement Crisp



Lanren Potter and Paul Douglas

Film festivals in Canada

Film festivals impose contradiction on the critic. Although the sheer volume and impressive quality of the selections can create a kind of euphoria there is also something to be said for the intense feelings of dread and alienation that result from seeing a plethora of bad films.

The recently-concluded Toronto Festival of Festivals offered the most impressive selection of films in an otherwise dreary year for Berlin, Cannes and Venice. Toronto follows directly on the heels of the Montreal World Film Festival, an event that is in serious decline. Montreal was received so negatively by the local press this year that the resignation of the festival's founder, Serge Losique, was called for.

But Toronto had no problem satisfying the critical palates of a press corps hardened by the year's slim pickings. German director Volker Schlöndorff (*The Tin Drum*) presented his new film, *Voyager*, to wildly appreciative audiences. Based on the Max Frisch novel *Homo Fober*, the film recounts the emotional odyssey of a civil engineer, Walter Faber (Sam Shepard), who falls in love with a young woman (Julie Delpy) during an ocean-going cruise back to Europe. This is Schlöndorff's best work in ages, aided by Shepard's laconic yet elegant performance. Looking like an anguished Gary Cooper, Shepard conveys the tragic foreboding that awaits the culmination of a futile series of coincidences.

The best Canadian film of both festivals was Quebec director Lea Pool's *The Savage Woman*, which Montreal voted its favourite. Filmed in the

Swiss alps, this is a melancholy study of a reclusive engineer (Matthias Habich) who becomes involved with a woman (Patricia Tulasne) running from the law. The tension of their doomed love affair is heightened by an ever-tightening police investigation that begins to strangle their relationship, and Pool choreographs the deepening pathos with the hauntingly beautiful images that are her trademark.

The Savage Woman was one of the few films that distinguished the competitive section in Montreal, which also met heavy criticism over the absence of celebrities. With the exception of Marcello Mastroianni, who flew in for a special tribute, not a single major European film star made an appearance. This was a source of considerable embarrassment to a festival that once played host to virtually all of Europe's film royalty.

Particularly galling was the decision of the Montreal jury to award the top prize to *Solomonberries*, directed by German filmmaker Percy Adlon (*Bagdad Café*), a dreary Nordic drama set in Alaska and featuring Canadian country and western singer Kiki Lang as a sexually-confused undertaker who forms a relationship with a German librarian (Rosel Zech). It would be hard to imagine a stranger or less accomplished film winning an award at a major festival.

One outstanding French film shared by Toronto and Montreal was *Delicatessen*, a sci-fi comedy set in a futuristic world where food shortages have inspired the local butcher to start carving up human entrées. Dominique Pinon (last seen as the villain in *Diva*) and

Marie-Laure Dougnac play two innocent tenants in a labyrinthine apartment complex who struggle to survive the surrounding chaos. The film is a visual feast that relies on elaborate sets, staccato editing and eccentric characters to convey the impression of a rotting society. Dougnac's enchanting performance adds warmth to a film set amongst the ruins of civilization.

Two other American films that deserve mention are Terry Gilliam's *The Fisher King*, and Walter Salles' *High Art*. *The Fisher King* is a major studio production that harnesses the talents of a skilled auteur in Gilliam, the former Python. Jeff Bridges and Robin Williams star as a marvellous pair of tragic figures: Williams plays a former professor of medieval history who has since drifted into a mad street-dweller, while Bridges is a one-popular DJ whose world has suddenly collapsed around him. Their relationship is a superb testament to the simple virtues of friendship.

High Art, on the other hand, is a crude comedy based on the Ruben Fonseca novel. Featuring Peter Coyote and Amanda Peet in the principal roles, the film stars well by building on a mysterious series of murders in Rio de Janeiro that follow the path of a celebrated American photographer (Coyote). But after he begins to investigate the death of a prostitute he once befriended, *High Art* drops down the rabbit hole of mindless violence as our intrepid photographer is transformed into a revenge-seeking terminator.

Harold von Kursk

Tribute paid to a violent lady

Susan Moore reviews Artemisia Gentileschi in Florence

Artemisia Gentileschi is the most famous female Old Master. The reason is as much due to her unfortunate fate as her considerable gifts which far exceeded those of Marietta Robusti, Lavinia Fontana, Sofonisba Anguissola or Elisabetta Sirani. At the age of 17 she was raped - and then again - by her father's collaborator and family friend Agostino Tassi who had been entrusted to instruct her in the art of perspective.

The suit brought by her outraged father Orazio and the subsequent trial of 1612, in which Artemisia's honesty was tested by thumbscrew, ensured her notoriety and public humiliation. Her violent depictions of virago Judiths backing off the head of Holofernes, of Jezebel hammering the nail peg into the neck of the sleeping Sisera, have been seen as aggressive expressions of revenge and castration.

It is a tempting interpretation, not least given the self-referential aspect of 16th and 17th century painting. Michelangelo had depicted himself as the flayed St Bartholomew in the Last Judgment, Caravaggio as the slaughtered Goliath. Tassi seems to have given his likeness to the head of John the Baptist on the charger, and Cristofano Allori cast himself as Holofernes and his haughty mistress as Judith brandishing his head in triumph.

Artemisia's story, portrayals of Judith and Holofernes are unconventional in that they depict not a *foi accompli* of severed head and bloodied sword but the arrested, blood-curdling moment of severing: the grim concentration of Judith's maid servant as she holds down the struggling Assyrian giant, Judith distancing herself from the distasteful act, gripping his head by the hair in her left hand and saving through his neck with the sword in her right. In one version, Holofernes' blood runs down the bed in rivulets. In another, arterial blood spurts out uncontrollably in all directions, staining the women with ruby droplets.

While the depiction of the

act of decapitation is unusual, it is not unique. It is no coincidence that Caravaggio had already depicted the same horrific moment, admittedly as a less of a blood bath. Orazio Gentileschi had been his first follower in Rome. Unsurprisingly, a radical Caravaggesque realism informed not only his daughter's style and composition but also her subject-matter. Her favoured and apparently feminist repertoire of Biblical and Classical heroines, of vengeful Judiths and Jeels, victimised Susannas and Lucretias, Salomes and Penitents, Magdalens, Esthers and Lot's daughters, was in fact long established.

Artemisia was successful in her day, but perceived more as an exceptional woman than as an artist to be judged along with her peers. Her critical re-evaluation began early this century but only gained momentum with the feminist studies of the 1970s. She is "The Magnificent Exception" in Germaine Greer's seminal *The Obstacle Race*, and played a major role in Ann Sutherland Harris and Linda Nochlin's exhibition on women artists 1850-1985. Two years ago saw the first monograph, Mary Garrard's *Artemisia Gentileschi: The Image of the Female Hero in Italian Baroque Art*, and this year sees the first monographic show, at the Casa Buonarroti, Florence, until November 4.

It is a strange exhibition, far from the full-bodied Artemisia retrospective one might expect. Given the restrictions of space at the Casa Buonarroti - the show is limited to three rooms - and, presumably, restrictions of cash - there is only one non-European loan - the organisers seem to have determined on a show with a narrow focus and a large number of purposely speculative attributions. At least five of the 27 pictures have probably been nothing at all to do with Artemisia. She seems to be doomed to the fate of art historians attaching her name to any unconvincingly attributed and undistinguished canvas with suitably violent subject-matter.

Our great treat is a sight of the "Susanna and the Elders"



'Susanna and the Elders' by Artemisia Gentileschi

on loan from Pommersfelden. Excessive claims tend to be made for Artemisia's expressive originality. Here, she does seem to be retelling a time-old story from a woman's-eye-view and coming up with a powerfully different image. I doubt that a man could have exposed, as she has done, the vulnerability of a defenceless, naked woman taken by surprise and threatened with shame.

Susanna is so often an excuse to paint a seductive nude in a delectable landscape, unaware of the peeping Toms who are plotting to seduce or

defame her. Artemisia contains the action in a confined space where the double hulk and foul whispers of the conspiratorial Elders bear down on Susanna. Her awkward, zig-zag pose is acutely expressive of her fear and anxiety.

If the inscribed date of 1610 is correct, the painting would be a precocious work for a 17-year-old. It has been suggested that Orazio may have helped in the planning and execution. A later date is proposed by those who see it as a work of her maturity, and by those reluctant to believe it predates her

harrowing deflowering. During her later sojourns in Florence and Naples her work becomes still more classically, less Caravaggesque. The last great work of the exhibition is a Neapolitan canvas of "Esther before Ahasuerus", appealing to save the Persian Jews". It is not an entirely successful picture, despite the sumptuousness of the Venetian costume and colour harmonies.

Artemisia is not well served by this small, provocative show. There are too few works by her, and too many bad pictures tentatively given to her.

Lady Day at Emerson's Bar...

RIVERSIDE STUDIOS

The Birmingham Rep, UK has joined forces with the Birmingham Rep, Alabama with the aim of swapping productions. The British company took its production of *The Ragged Dicks* (which had a London showing at the Lyric, Hammersmith) to Alabama earlier this year. Now the American company has reciprocated with *Lady Day at Emerson's Bar and Grill*, a musical elegy based on the life of Billie Holiday.

Lady Day naturally concentrates on jazz, and the story of Billie Holiday (Lady Day) herself. Emerson's Bar is the place where she performs, where she is queenly. Apart from a bass player in the background, there is only a pianist (Doree G. Ivey) who sometimes speaks, and Lady Day, played by Charmi Robertson, is a mixture of song and story in soliloquy.

How well Ms Calloway takes to it. At the start, I thought she was excessively nervous, perhaps overwrought by the hugely cavernous setting of the Riverside Studios. This, I was told by an American lady on the board of the Alabama company, was deliberate - to show straightaway the effect of the drugs. Certainly that seems plausible,

for Ms Calloway's performance moves with apparent effortlessness between relaxation and hyper-tension.

It is those contrasts that help to make it such a pleasing show. At one moment *Lady Day* is telling stories about how segregation was made to look foolish for their bigotry. "That guy wore white socks because he had a colour prejudice." At the next she is expressing real hurt at their attitudes. Then she is off in a world of her own, saying what she would really like - "my own club where I could sing to all my friends".

Other, with greater knowledge of the original may make finer judgments on the quality of Ms Calloway's voice. What seemed to me remarkable is the way she sticks to jazz without leaning over into pop. Only once remember "Tain't Nobody's Biz-Ness" falls remotely into the latter category. I thought she was capturing and she ends with a beautiful dying cry, though not literally.

Lady Day is directed by Martin L. Platt, the Alabama company's artistic director, and runs at the Riverside until October 12 before moving to Birmingham, England.

Malcolm Rutherford

Driftings

SADLER'S WELLS THEATRE

Ignorance of the company and a programme with illustrations of men in raincoats, somewhat grotesque female nudes, and featuring paragraphs about the search for identity - murky waters where personality dissolves and the like - led me to approach *Driftings* with caution. A few minutes after the show began, however, I was startled to find a smile of pure delight breaking over my face as the Compagnie Philippe Genty unfolded a superb display of theatrical illusionism, puppetry and dance.

Pure theatre, if such a thing exists, must be something like this: skills honed and perfected to allow their practitioners to suggest a world of emotion and mystery from an empty coat-sleeve or a slowly turning head - a puppet's head, manoeuvred with careful fingers in a technique, without strings or awkward artificialities, based on the closest possible contact between the non-human and the human performers. Ancient tricks, quick-change routines, rope dances, fake levitation, lengths of silk shaken out to suggest varying landscapes, are performed with such committed grace that they move beyond the cleverness of skilful effect to operate just where the programme said, somewhere where things dissolve

and meanings shift.

Part of the magic lies in the quality of observation. The puppets, representing men in raincoats (from very tiny to half-life), glamorous women (from half-life to huge) and goldfish, assisted by a tiny train, an aeroplane, an ocean liner and a city skyline which transforms into a jungle-ringed volcano, are superbly drawn and lit. The lighting designer, Eric Wurtz, is really the master of the reveals, for most of the effects rely on the use of deep black-out. Dressed alike, the human and puppet performers become interchangeable, definitely identifiable as one only when contrasted with the other.

Philippe Genty has travelled the world working with puppets for the last 30 years, developing a technique which, though it reminds of much, is ultimately unique. His company serve him wonderfully, whether, like his wife, choreographer Mary Underwood, they have been with him for 20 years, or whether they have been drawn to work which makes full use of those "theatre skills" so often talked of, so little seen. Those whose task it is to bring magic to our stages should rush to Sadler's Wells.

Lynn MacRitchie

INTERNATIONAL ARTS PREVIEW & EXHIBITIONS

Over the next three weeks, the Geste Theatre in Dublin is staging a Samuel Beckett Festival, as part of the Irish capital's European City of Culture celebrations. Several foreign directors will be taking part. Walter Asmus from Germany will stage *Waiting for Godot* (Oct 1, 2, 3, 4, 5, 13) and a triple bill including *Footfalls* (Oct 10-13). The Polish director Antoni Libera will stage *Endgame* (Oct 16-20), and Lucy Bailey from Britain will direct *Come and Go*, *Act Without Words II* and *Play*. There will also be performances of Krapp's Last Tape (Oct 4, 5, 9, 20).

A total of 19 plays will be shown at the Geste. During the festival, Trinity College Dublin is presenting a series of lectures by leading interpreters of Beckett's work, and other performances will include Celtic Fols with David Warlow and Company with Julian Curry. Radio Telefís Éireann will broadcast several Beckett plays, and Alan Gilson's film of *Eh Joe* will be shown on television. (01-744388)

Czechoslovakia has two autumn music festivals over the next two

weeks at Brno and Bratislava, neither of which has yet succumbed to the commercialised atmosphere of many of their western counterparts. Brno (Oct 3-13) is focusing on the Dvořák 150th anniversary, with performances of the oratorio *St Ludmilla* (1886), the Requiem and the opera *Dmitriy and Ruseika*. Bratislava opens tomorrow with a production of *La nozze di Figaro* at the Slovak National Theatre, and a Mozart and Gluck concert at the Philharmonic Hall conducted by Martin Turnovsky. The festival offers a platform for some lesser-known Slovak ensembles, many of which are of excellent quality - such as the Slovak Chamber Orchestra, which gives a Mozart concert on Oct 4. Petr Atrichter conducts Dvořák's oratorio *The Spectre's Bride* on Oct 5, and the festival ends on Oct 10 with performances of *La forza del destino* at the National Theatre, and Beethoven's *Missa Solennis* at the Philharmonic Hall. Internationally renowned Slovak singers such as Sergey Kopcak, Luba Orgonasova and Gabriela Benckova are scheduled to take part in the festival.

EXHIBITIONS GUIDE

AMSTERDAM Rijksmuseum A.M. Meijling (1783-1831): an exhibition devoted to a once-famous French artist, including detailed drawings of Dutch towns. Ends Nov 24. Closed Mon
Van Gogh Museum Drawing by the Moravian artist Jiri Georg Dokoupil (b.1954) and sculptures by the Czech artist Jozef van den Toorn (b.1954), selected for their

affinity to the art of the late 19th century. Ends Nov 24. Also Acquisitions 1986-91, including work by Dutch artists of the Hague School, contemporary of Van Gogh, two Van Gogh drawings and two paintings. Ends Jan 5. Daily
BARCELONA Fundació Joan Miro Karel Appel (b.1921): 66 paintings and seven sculptures illustrating the Dutch artist's barbarous realism, apocalyptic visions and desire to experiment with new techniques and materials. Ends Dec 1. Closed Mon
SASLE Kunstmuseum 20th century drawings from the Burckhardt-Kochlin Foundation, including work by Picasso, Alberto Giacometti, Modigliani, Dubuffet, Ernst and Beuys. Ends Dec 8. Closed Mon
Museum für Gegenwartskunst Emanuel Hoffmann Foundation acquisitions 1980-90: work by Beuys, Nauman and many others. Ends Nov 25. Closed Mon
BERLIN Aggipioches Museum Twilight of the Pharaohs: an exhibition celebrating the discoveries and research of the 18th century Egyptologist Jean-François Champollion. Ends Oct 20. Daily
Alte Museum (Gemäldegalerie) Rembrandt: the biggest exhibition ever mounted of the Dutch master's paintings and drawings, taking into account latest research on attribution. 50 unquested Rembrandt paintings are on view alongside others now re-attributed to his pupils, together with a parallel showing of etchings. Ends Nov 10. Closed Mon and Tues

BIELEFELD Kunsthalle Picasso's Surrealism 1925-37: more than 100 paintings, drawings, water colours, prints and sculptures from the artist's surrealist period. Ends Dec 15. Closed Mon
Rheinisches Landesmuseum John Heartfield: century retrospective of the Berlin-born photo-montage artist, known for his life-long Communist beliefs. Ends Nov 3. Closed Mon
FRANKFURT Schirn Kunsthalle Picasso, Miro, Dali and the origins of modern art in Spain: an exhibition tracing the development of Arte Nuevo from 1900 to 1936. Ends Nov 10. Also Teapies and Books: a collection of prints and illustrated books showing how the celebrated Catalan artist (b.1923) has not only worked with traditional printmaking processes, but also enhanced them to suit his expressive needs. Ends Nov 10. Closed Mon
SIDEL The Sidel Moderns 1905-37: an exhibition of paintings dubbed degenerate by the Nazis, now restored to their former home, including work by Beckmann, Chagall, Gauguin, Klee, Kotschika, Matisse and many others. Ends Jan 12. Daily
LONDON Royal Academy The Pop Art Show: the icons of Pop art, from New York in the 1950s and 1960s. Ends Dec 15. Daily
Tate Gallery Turner's Rivers of Europe, focusing on his tours to the Low Countries and the Rhineland in 1817, the 1820s and 1830s, including many little known watercolours. Ends Jan 28. Also William Blake: 150 watercolours, drawings and engravings from

the Tele's fine collection of work by the English visionary poet and painter. Ends Nov 2. Daily
Victoria and Albert Museum Visions of Japan: a glimpse of the complexities of Japanese culture and lifestyle in the past, present and future. Ends Jan 5. Also Schinkel: paintings, architectural drawings, furniture and eliver by the great 19th century German classical architect. Ends Oct 27. Also Postmodern Prints: an assessment of the conflicting versions of Postmodernism. Ends Oct 27. Daily
MANNHEIM Kunsthalle Augusta Rodin and the Geste of Hell: sculptures and drawings from museums in Paris, Tokyo and Philadelphia, showing how Rodin's door to the Ecole des Arts Décoratifs provided him with a font of ideas for other work. Ends Jan 6. Closed Mon
MÜNCHEN Kunsthalle der Hypo-Kulturstiftung Matisse: a major retrospective of the Chilean-born surrealist who now lives in Italy and is shortly due to celebrate his 80th birthday. Ends Nov 11. Daily
Musée des Beaux-Arts Cubism in Prague: the Czech contribution to the artistic avant-garde in Europe in the first two decades of this century, with 85 works by Otto Gutfreund, Clément Kubin, Josef Capek, Bohumil Kubisa and others, alongside 25 works by Braque, Derain and Picasso. Ends Dec 1. Closed Tues
NEW YORK Metropolitan Museum of Art Seurat: a major retrospective marking the centenary of the artist's early death, mounted in cooperation with the Musée

d'Orsay in Paris. Also Neo-Impressionism, the friends and followers of Seurat: 70 paintings, drawings and prints by Pissarro, Signac, Metisse and others, drawn from the Museum's own collection. Ends Jan 12. Closed Mon
Museum of Modern Art Guillermo Kuitca (b.1961): an exhibition of recent works by the Argentine artist whose imagery includes beds, stage sets, floor plans and road maps. Ends Oct 28. Also Pleasures and Terrors of Domestic Comfort: the life of the home seen through the cameras of contemporary American photographers. Ends Dec 31. Also Lee Friedlander: Nudes. Ends Oct 8. Closed Wed
PARIS Grand Palais Géricault: a major retrospective marking the 200th anniversary of the birth of one of the most influential figures in the development of the Romantic movement in art, with 350 works from public and private collections around the world. Ends Jan 6. Closed Tues, late closing Wed
Musée Picasso Picasso, Jeunesse at Genes: more than 100 early works from the years 1883-1905, some of which are being shown in public for the first time, including family and self-portraits, caricatures, symbolist and naturalistic works, as well as paintings on religious and erotic themes. Ends Nov 25. Closed Tues, late closing Wed
Musée d'Art Moderne El Lissitzky: a retrospective of the Russian constructivist (1890-1941), who was a major figure of the avant-garde at the time of the 1917 Revolution. Ends Oct 13. Closed Mon

Musée d'Orsay Munch and France: an exhibition tracing the interaction between Munch and French art resulting from his visits to Paris between 1885 and 1908. Most of the paintings come from public and private collections in Norway. Ends Jan 5. Closed Mon, late closing Tues
ROTTERDAM Museum Boymans-van Beuningen Perspectives: a survey of architectural painting in the 17th century, including work by Pieter Saenredam and Hans Vredeman de Vries. Ends Nov 24. Closed Mon
STUTTGART Galerie der Stadt Otto Dix: a major retrospective marking the centenary of one of the towering figures of 20th century German art, renowned for the bitter realism of his portraits, brothel scenes and visions of war. Ends Nov 3. Closed Mon
VIENNA Albertina Italian drawing: 150 works from the Albertina's own rich collection, ranging from the late Middle Ages to the 18th century. Ends Nov 3. Also Bela Uitz: drawings from the period 1913-25 by the Cubist-influenced member of the avant-garde in early 20th century Budapest. Ends Nov 10. Daily
WASHINGTON National Gallery Rembrandt's Lucretias: two related masterpieces, one from the gallery's own collection (1684) and the other from the Minneapolis Institute of Arts (1686). Also Innovative Art from Graphicstudio: a survey of 90 prints and sculptures from the past two decades by 24 artists at the Graphicstudio workshop in Florida. Ends Jan 5. Daily

FINANCIAL TIMES

NUMBER ONE, SOUTHWARK BRIDGE, LONDON SE1 9HL
Telephone: 071-973 3000 Telex: 922185 Fax: 071-407 5700

Friday September 27 1991

Pinpointing blame at BAe

WHEN a hard-fought boardroom battle results in the departure of the chairman, the press headlines inevitably focus on management style rather than substance. But whatever the proximate cause of Sir Roland Smith's exit from British Aerospace it is clear that some kind of reckoning was done on more fundamental grounds.

The business professor best known for his fistful of non-executive directorships was the chief architect of a strategy of conglomerate diversification at BAe that had manifestly gone awry. Only the failure of an attempted merger with the construction and engineering group Trafalgar House denied Sir Roland the opportunity to deliver the coup de grace to the hapless company of which he ceased to be chairman late on Wednesday.

Sir Roland always looked a somewhat unlikely candidate to lead BAe out of the wilderness. His most successful boardroom venture was to protect House of Fraser from the attentions of Mr Roland "Tiny" Rowland, the controversial chief executive of Lorrho, before selling the stores group to three Egyptian-born businessmen who subsequently turned out to be even more controversial. This expertise in trench warfare, however impressive, was scarcely the stuff of mainstream industrial management. Sir Roland's earlier track record in industry was chequered.

For all that, the failure at BAe is little different from the failure that has dogged many British companies in industries facing decline or structural upheaval. If the problems of the core business look intractable there is a strong temptation to diversify into areas in which management has no obvious expertise.

Chosen path

That certainly was the story at BAe under the professor. His chosen path included the acquisition of a property company just in time for the worst property market collapse since the mid-1970s. The acquisition of Rover Group, which came just in time for a savage recession in the motor industry, was justified to institutional shareholders on financial rather

than industrial grounds, no doubt because the industrial logic was slender. The purchase of Royal Ordnance, meantime, represented a retreat into the defence contracting area from which BAe was trying to escape. Again financial and property considerations played a key part.

Diversification disaster

This scarcely amounted to a coherent strategy. Nor have many others succeeded in pulling off the conglomerate trick. In the present cycle British & Commonwealth has foundered after a disastrous diversification into financial services. Britain's biggest insurer, Prudential, is one of many to have lost millions in an ill-judged foray into estate agency. Even those companies that have diversified through acquisition in related areas have often found the going rough, witness glassmaker Pilkington's venture into contact lenses.

That is not to say the trick is impossible. Reuter's diversification from wire service to provider of screen-based dealing systems was an outstanding achievement. Even more surprising was the remarkable success of the Trustee Savings Bank's initial diversification into insurance. Yet these initiatives were not primarily acquisition-led. Equally striking, they were undertaken when the institutions concerned were unquoted.

Indeed, part of the wider cost of an active capital market may well be that quoted companies are under undue pressure to address fundamental structural problems with a quick acquisition fix, rather than a more carefully managed diversification through direct investment in new plant or skills. If the company is big, like BAe, the bigger and more risky the requisite fix. It is not a uniquely British problem. Bank-led corporate governance in Germany has just promoted a very questionable looking case of conglomerate at Daimler-Benz. But in Britain the capital market's system of penalties and rewards ensures that a more frenetic deal-making mentality persists among top managers than elsewhere. The need for a more sceptical managerial attitude to acquisitions is evident.

Anti-trust in global markets

THIS WEEK'S agreement between the US and the European Community to co-ordinate enforcement of anti-trust policies is a striking demonstration of the pressures on national regulators to catch up with the realities of global markets. As well as tackling a potential trouble spot in bilateral economic relations, the agreement may in time prove a rallying point for wider international co-operation. But it is still only a first step down a road strewn with political and legal difficulties.

Competition policy has long been recognised as the obverse side of trade policy. Indeed, an attempt was made as long ago as the 1940s to create an international framework for both in a single United Nations body. The linkage has grown still tighter as increased direct investment and mergers across frontiers have forced the pace of international economic integration. However, efforts by national regulators to adapt unilaterally to these trends have often been either ineffectual or unduly disruptive.

The transatlantic frictions created by US anti-trust intervention several years ago in the Laker Airways case and the Minicorp bid for Consolidated Gold Fields testify to the growing threat of jurisdictional conflicts. That risk has been increased by the EC's year-old merger control regulation, which explicitly authorises the Brussels Commission to vet deals involving companies headquartered - and doing most of their business - outside the Community.

Enforcing remedies

Attempts to extend regulation extra-territorially can have legitimate motives. Mergers between companies which are judged harmless in their home markets can arouse serious competition issues in other countries. The problems arise when authorities in the latter try to enforce remedies. They are only likely to succeed if they possess the brute force needed to impose their will beyond their frontiers - as the EC has been able to do on smaller neighbours.

By instituting a regular EC-US dialogue, this week's agreement should reduce the danger of bilateral disputes.

However, it falls far short of the treaty originally sought by the EC, which would have drawn precise boundaries around each authority's jurisdiction. That was rejected by Washington on the grounds that Congress would bridge an international commitment limiting anti-trust powers enshrined in US legislation.

Sovereign prerogative

It is ironic that a government which has been strenuously seeking to foist its own model of anti-trust policy on other countries, notably Japan, should display such an unshakable attachment to sovereign prerogative. However, the US position is a measure of the obstacles confronting any effort to lay down agreed international ground rules for the conduct of anti-trust policy.

The most promising avenue might appear to be through multilateral negotiation, such as the Organisation for Economic Co-operation and Development is currently trying to organise. But it faces an uphill struggle. Only half of OECD members have merger policies, enforced with varying rigour and according to differing criteria. Attitudes to restrictive trade practices diverge still more widely. Even if more common ground could be achieved in these areas, a morass of procedural and technical difficulties would remain. A still more fundamental problem, however, is that governments are themselves increasingly to blame for creating the market distortions which anti-trust policy is supposed to prevent. Under pressure from threatened domestic producers, both the US and the EC have in recent years compelled Japan to accept elaborate trade restrictions, notably on cars and semiconductors. In practice, these amount to officially-sanctioned cartels to the formation of which, in the EC's case, the competition commissioner was reluctantly a party.

Western governments' enthusiasm for such arrangements sits oddly with their complaints about cartelisation of Japan's domestic market. While such inconsistencies persist, progress towards creating a more rational framework for international competition policy will remain halting, at best.



British Aerospace has resolved - for the time being - the top management crisis which had engulfed the company during the past few weeks. But the boardroom battle has overshadowed a far more profound crisis of identity at BAe. As Britain's biggest defence contractor, the company has become a casualty of the irreversible decline in the defence sector following the end of the cold war. Its commercial aircraft activities have been hit by the severe slump in the aviation industry. Its Rover car and property operations are struggling in recession.

"The question of Professor (Sir Roland) Smith is not fantastically relevant as far as we are concerned. For us the key points are the performance and the direction the company is going," one institutional fund manager said just before Sir Roland's resignation as chairman on Wednesday.

He was probably underestimating the importance of the resignation because it had clearly become a prerequisite to help restore City and shareholder confidence in the group. But he was also pointing a finger at the fundamental challenge facing the management led by Mr Dick Evans, the chief executive, and Sir Graham Day, the new interim chairman.

The problem is that not only are the institutional investors confused but so is the company itself. "We seem to be lacking a sense of direction," said an executive at one of the company's defence arms.

Sir Graham emphasised shortly after his appointment that the company now had to "press on with clarity" to deliver the strategy outlined in detail in the prospectus for its £420m rights issue. The overall plan involves accelerating the company's restructuring and focusing on the core businesses of defence, commercial aviation, cars and property.

During the past two weeks, Mr Evans and Mr Dudley Eustace, BAe's finance director, have been touring the institutions to outline the company's plans. "The Dick and Dudley show," as Sir Graham describes the investor confidence-boosting campaign, has not had an easy ride.

The immediate task is to ensure that the success of the rights issue to help fund the latest restructuring and provide capital for long-term capital intensive projects including the Airbus A320 programme and the development of the Rover car family. The next is to rebuild relations with institutional investors. The third is to develop a more multi-national culture, abandoning the company's past determination to try, in aerospace at least, to go it alone in developing new ventures or assuming the lead in collaborative programmes.

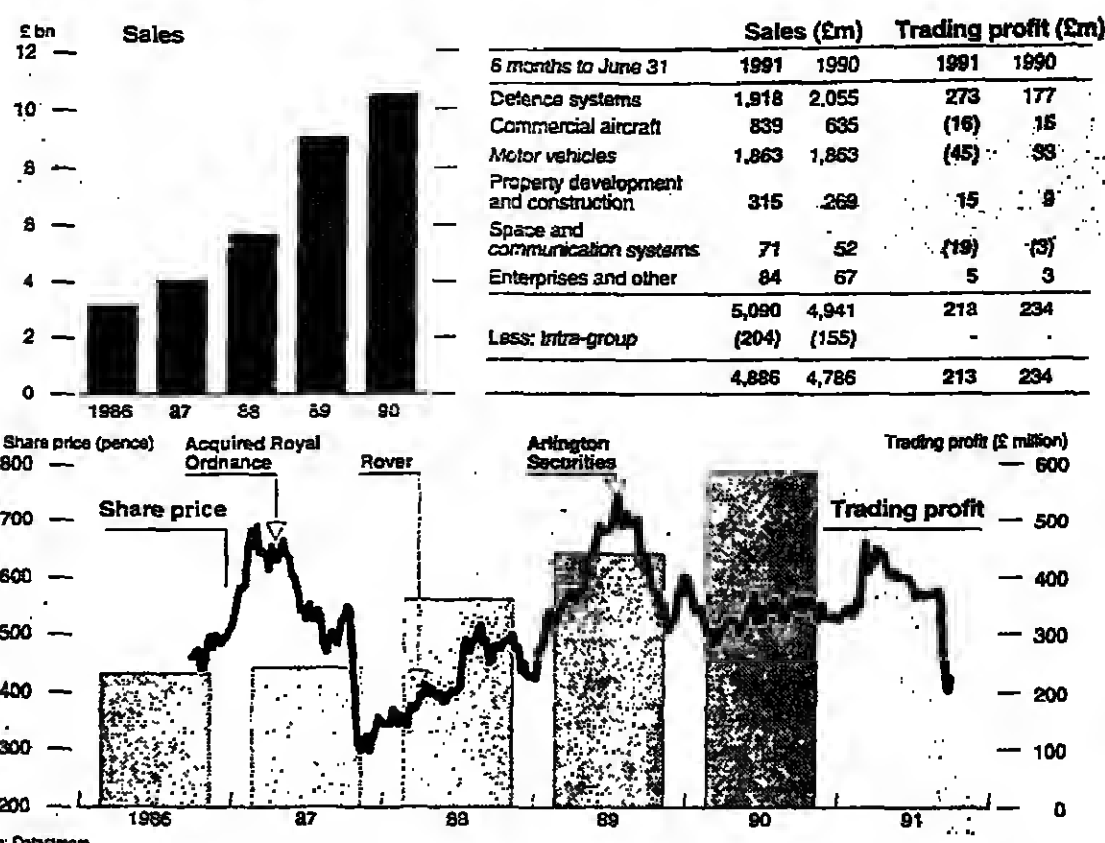
The company will have to overcome criticisms that have arisen over the past few years, especially following its acquisitions of the state-owned Rover group and Royal Ordnance, about its nature of its inter-dependent relationship with government. The issue remains all the more ambiguous because of BAe's needs to reconcile long-term aims with the short-term concerns over market performance which have preoccupied its management since privatisation.

Finally, the new management will have to establish the necessary technological, industrial and financial bases to ensure the necessary profitability to avoid the company's having to return to the market for more cash in a few years.

Mr Evans says there are no "black holes" in the company. But critics reply that the entire company may be a black hole. The diversification strategy designed to reduce BAe's dependence on defence has been costly, and so far failed to deliver benefits. Mr Evans admits that one of the problems this year has been all the cycles in BAe's main businesses going wrong at the same time.

BAe needs new impetus for its defence, aviation, car and property business, write Paul Betts, David White and Kevin Done

In search of a guidance system



Despite diversification, BAe's heart remains in defence.

Ironically, the company's defence activities have increased their share of overall trading profits just when the group has been trying to reduce its dependence on military orders. Its defence division showed trading profits of £273m in the first half of this year, the group's only source of positive results apart from property and construction. This was despite a fall in military sales, which - excluding Land Rovers and building work - was reduced to 39 per cent of the total compared with 43 per cent a year ago.

The high profits partly reflect the fact that aircraft programmes such as the Tornado and Harrier are now in their later stages. The Gulf conflict brought a windfall, especially for Royal Ordnance, the ammunition and armaments subsidiary. But there was little or no change to the longer-term outlook of declining sales.

The group has become heavily dependent on Britain's arms agreement with Saudi Arabia, in which it acts as prime contractor. This has brought in more than £20m in revenues since the mid-1980s. The final size of the Saudi deal hangs on how long the Saudis choose to continue with it; on that, there is nothing specified in the agreement.

BAe's home market with the Ministry of Defence has become increasingly less comfortable, with the first effects of post-cold-war cut, increased exposure to competition and strict enforcement of fixed pricing terms on new contracts.

A gap is emerging between the end

of Tornado production and the production start-up of the £550m European Fighter Aircraft. The new fighter to be built in collaboration with Germany, Italy and Spain was to have entered service in 1996. But the date has slipped and it remains unclear whether Germany will continue to participate in the project. In any event, purchases by the four nations will fall well below the original target of 800 aircraft.

All BAe's defence companies - military aircraft, the BAe Dynamics guided weapons business, and Royal Ord-

nance - have already been through heavy restructuring. More restructuring is likely at BAe Dynamics, in many ways the weakest of the branches and already pared down to less than half its size in three years.

Mr Evans is now seeking a new partner for BAe Dynamics. Since its plan to pool guided weaponry with Thomson-CSF of France fell through six months ago, BAe Dynamics has seemed increasingly at risk of being left on the sidelines.

Equally unsuccessful has been BAe's alliance with the helicopter business where the only UK player is Westland. Top management has been

divided on whether to enter the sector in emulation of other "all-round" aerospace companies like Boeing, McDonnell Douglas and Aerospatiale of France. But its attempt with GEC to secure the contract to oversee the Royal Navy's new anti-submarine helicopter programme ended earlier this month in an embarrassing failure, with the contract going to IBM.

After being highly critical of the European Airbus airlines programme, in which it has a 20 per cent stake, BAe has increasingly counted on the European commercial aircraft venture for the future. Since it was set up 20 years ago, Airbus has captured 30 per cent of the world large aircraft market. It has a five-year order backlog. Next week it will roll out its A340 four-engine aircraft, enabling the consortium to take on Boeing in the long-range airline market.

But the growth of Airbus will require more working capital from its four partners - BAe, Aerospatiale, Deutsche Aerospace and Casa of Spain - to support the substantial increase in aircraft production rate. Although Airbus made its first operating surplus last year, its profitability is still low.

Airbus is increasingly the core of BAe commercial aircraft activities, its other operations in the regional and commuter airline sector are under intense pressure and their losses wiped out in the first half of the profits BAe earned from Airbus, where it supplies the wings for all aircraft.

Mr Evans has already made it clear that BAe could no longer continue to manufacture its own family of

regional aircraft. The company is now trying to forge a broad alliance with other regional aircraft manufacturers. The market is too small to sustain several competing regional jet programmes. This competition, involving the companies collaborating in Airbus, also risks undermining the consensus within Airbus.

BAe's controversial takeover of Rover in 1988 also increased the group's burden of capital expenditure and spending on product development. While it has added to the group's asset base and turnover, it has done little to improve earnings. After trading profitably in 1988 and 1989 Rover has collapsed into loss this year in the face of the deep recession in the UK new car market; it has run up a trading loss of £45m in the first half of 1991 compared with a £33m profit in the same period a year ago.

This slide has underlined the dangerous over-dependence of Rover's car-making operations on the UK market. One of the group's strategic priorities has thus been to reduce this dependence by raising its exports - above all to continental Europe. It is trying to achieve such a transformation in its customer base, however, when competition in the western European car market has never been so fierce, with the leading Japanese car makers also trying to expand their European dealer networks.

In many ways the key to Rover's development lies in its relationship with Honda, Japan's third-largest car maker, which now holds a 20 per cent equity stake in the Rover vehicle operations. The relationship has allowed Rover to share the cost of some new product development and enabled it to adapt its engineering to Japanese levels.

The link once offered Honda a cheap route into Europe, but as its own worldwide and European operations grow, there may be a question-mark over the rationale for its Rover connection. Much will depend on Rover's ability to bring the productivity and quality levels of its UK operations closer to Japanese standards.

BAe is very keen to nurture the relationship. "One of the key elements in the revitalisation of the Rover Group has been the increasingly close collaboration with Honda," admits the rights issue prospectus.

When the Rover takeover was first mooted by BAe, there was much talk of the synergies to be gained from merging car and aircraft operations. Such motivations have long since melted away. Experiences elsewhere are mixed as General Motors and Daimler-Benz push on with their aerospace-automotive operations, but Ford and Chrysler divest the aerospace interests to concentrate on core operations.

The fourth pillar of BAe's recent diversification strategy has been its expansion into property and construction through its acquisitions of Arlington Securities and Ballast Nedam. The company saw opportunities of hefty property development gains from the sale of closed industrial sites which would in turn help finance the groups restructuring.

This has been backfires with the sharp drop in property values in the long term, these values could recover, but in the meantime the company has had to turn to its shareholders for cash for the first time since privatisation in the early 1980s.

BAe has come a long way in the past 10 years. But it has yet to project a clear idea of where it is going. Its only comfort is perhaps that most other international aerospace companies are in a similar dilemma.

Six months ago, a senior executive of the French Aerospatiale group - BAe's historical partner and rival - asked rather peevishly why BAe's share price continued to defy the laws of gravity by trading at an unusually high level for an aerospace group. The past few weeks have brought BAe back to earth.

Magisterial movements

A flurry of change at the top of Britain's judiciary; three of the ten Law Lords are hanging up their wigs. Lord Bridge is going because he will reach the compulsory retirement age of 75 during the coming legal year. Lord Oliver, 70, and Lord Jauncey, 71, for reasons best known to themselves.

Their replacements are Sir Nicolas Browne-Wilkinson, the present Vice-Chancellor and head of the Chancery Division, Lord Justice Mustill and Sir Gordon Slynn, Britain's judge at the European Court of Justice in Luxembourg.

These look interesting and shrewd choices, Sir Nicolas, generally regarded as one of the finest legal minds of his generation, had been tipped to succeed Lord Donaldson as Master of the Rolls. Aged 61, he still might. There is a precedent - Lord Denning came down after five years in the House of Lords to be MR in 1962.

Sir Michael Mustill is one of the most highly regarded commercial judges and Sir Gordon brings welcome and long overdue recognition of the growing importance of European law to British jurisprudence. As for political inclinations, the verdict is that the new boys tip the balance firmly in favour of liberalism.

The two vacancies left in the Court of Appeal by the promotions go to the South African wing of the judiciary. Sir Johan Steyn - a South African QC before coming to the UK in 1978 - and Sir Richard Scott, born and bred there, will be popular appointments within the profession.

Big handicap

Japanese golf courses have always been much more than merely sites for knocking little

white balls into holes in the ground. Golf club membership certificates are investment instruments traded on a secondary market, and clubs play to luxury market images.

Some clubs, it seems, have rather overstepped the mark. The Gatsby Golf Club, south of Tokyo, has been found by the Tokyo District Court to have oversteered memberships and had its land seized. A group of members complained that getting a round of golf had become impossible; the club allegedly signed up 30,000 members and then tried to limit numbers to a select 1,800. Other clubs face similar membership means.

Much as corrupt positions are now being unravelled in Japan's financial markets, the Gatsby case seems set for a shake-up. Certificates were traded on the presumption of scarcity; the great Gatsby scam has shown that the golf courses are as rough-and-tumble as the courses.

Street rap

London's stock market is buzzing with rumours of a new chief executive for Asda, the Northern-based supermarket group. But Asda watchers yesterday were puzzled to learn the latest name tossed into the ring: Reg Holdsworth.

Not knowing Holdsworth but guessing he could be good news, a London securities house salesman quickly got onto his institutional clients, hoping to persuade them to buy Asda shares.

Unfortunately Holdsworth turns out to be the manager of Berta Buys, the supermarket in Granada television's long-running soap opera, *Coronation Street*.

Reg was unavailable for comment on his behalf. Granada said he would "be happy to call the Asda juggernaut

OBSERVER



into the 1990s. After all, he has no family with whom he would prefer to spend more time."

Who knocks?

Who remembers Joe Clark, the jowly, soft-spoken Albertan who was set fair for permanent oblivion in 1980, following his resounding election defeat after just eight months as Canada's prime minister?

Clark sadly developed an image as a political lightweight; he gained the sobriquet Joe Who? Some Canadians with long memories still squirm when they recall his ill-fated swing through the Middle East and Asia. His luggage was lost, and TV cameras filmed him in a neat blue suit in a remote Indian village, picking his way through cow dung.

But Clark, 52, has bounced back. Appointed minister of constitutional affairs last April, he has emerged as the man most likely to keep Canada in one piece.

Travelling nationwide, he has listened patiently to the pleas of innumerable special interest groups, from hot-

headed Quebec nationalists to red-neck Saskatchewan farmers. His constitutional reform package now asks all Canadians to do what they are most famous for - compromise.

It's too early to tell whether Clark's latest mission will be more successful than some of his earlier ones. But few would be surprised if he gets a second chance as prime minister. Brian Mulroney, the present incumbent, is more unpopular now than Clark ever was in 1980.

House bound

The careers of two old adversaries from Britain's recession-hit housebuilding industry appear to be still diverging.

Sir Clifford Chetwood yesterday announced he was stepping further into the back ground at Wimpey, where for seven years he had reigned as chief executive and chairman.

The opera-loving Sir Clifford is to retire from all executive duties at the end of this year. He will remain as non-executive chairman of Wimpey.

On the other hand, Sir Lawrie Barratt yesterday came out of retirement, meeting the press for the first time since the end of July, when he resumed chairmanship of the group he founded in 1958.

The occasion for his comeback was inauspicious; he presided over publication of Barratt's full year results which showed a pre-tax loss of £106.3m for the 12 months to the end of June - Barratt's first ever loss.

Drifting by

Yesterday's opening of the Guinness trial at Southwark Crown court in London was accompanied by some hot air. Early arrivals were spurred on by the sight of a nearby balloon fair. The star attraction, visible from some distance, was none other than the Guinness balloon.

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Sir Graham Day, BAE's new interim chairman, revealed a mastery of understatement just before midnight on Wednesday.

"It was an interesting day," he said. "It was difficult." He was speaking at the end of a boardroom battle which had led to the ousting of Professor Sir Roland Smith from the chair of Britain's highest exporting company.

It had been a bloody fight, conducted as much in the press as in BAE's office block overlooking London's Charing Cross Station. By mid-afternoon, Sir Roland had agreed to resign, to be replaced temporarily by Sir Graham, chairman of BAE's automotive subsidiary, Rover.

The press was alerted to expect an announcement at 6pm. But negotiations on the terms of the departure dragged on. At 11pm, red-eyed BAE directors emerged from their meeting. Sir Roland confirmed that he was going "to end damaging speculation about the future of the company."

What he meant was that he hoped his departure would put an end to the rumours about splits in BAE's boardroom and put a floor under BAE's share price, which had been tumbling for the past three weeks since the company's plan to raise \$450m from a rights issue was made public in the FT.

BAE's merchant bank, Kleinwort Benson, and its broker, Hoare Govett, were angry that the rights issue plans had leaked. They knew that BAE had become strapped for cash and needed the rights funds. But would they be able to persuade fund managers to underwrite the issue?

Worse was to come. Sunday newspapers two weeks ago repeated the rights issue story and said that stockbrokers were forecasting that BAE would make healthy pre-tax profits of £300m this year.

"That was most unfortunate," commented one of BAE's City advisers. In the previous few weeks, the company had been working on its own profit forecasts. Far from being on course to make £300m, BAE's new budgets showed the figure was likely to be half that.

Kleinwort and Hoare told BAE that it was obliged under Stock Exchange rules to make a profits warning on Monday morning - if it did not, there would be a false market in the shares. Another BAE adviser put it less charitably: "They believed it would be impossible to complete the underwriting of the rights issue unless the market knew the true state

Bloody battle in the boardroom

Robert Peston, Paul Betts and Roland Rudd on events leading to the ousting of Sir Roland Smith



Boardroom battle: from left, Sir Roland Smith, Sir Graham Day and Dick Evans

of BAE's operations."

After BAE made the profits warning, shareholders were furious. They felt they had been misled about the company's prospects in the preceding months. But few of them used the reversal of BAE's fortunes to call for Sir Roland's departure. If BAE had been slow to respond to downturns in its markets, that was the responsibility of its executives, notably Mr Dick Evans, the chief executive, and Mr Dudley Eustace, the finance director.

However, Mr Evans was regarded, both inside and outside the company, as invaluable. In the secretive world of defence sales, his relationship with Saudi purchasers was thought irreplaceable. If Sir Roland's resignation was not the result of shareholder pressure, why did he go? In fact, it was the culmination of a campaign by BAE's non-executive directors, led by Sir James Blyth, the chief executive of Boots, and Mr Ronnie Hampel, a director of ICI, who was named yesterday as ICI's first ever chief operating officer.

"None of us are paties," commented a non-executive yesterday, when asked if the non-executives took the initiative. They had become concerned that Sir Roland's management style was no longer appropriate to BAE, as it tried to cope with the recession. Though his background is as an academic writer on management issues, Sir Roland's love is secret dealmaking.

This was typified in 1988, when BAE bought Rover, the car manufacturer, from the government. The Rover deal was known in advance to only five people in BAE, Rover and the Department of Trade and Industry.

Far more damage was done to his relationship with the board by a daring attempt to merge BAE with Trafalgar House, the construction and shipping group. Once again, BAE's senior managers were not informed in advance by their chairman of his plans.

Last April, Sir Roland approached Sir Nigel Brackles, chairman of Trafalgar House, the construction, property and shipping conglomerate, with a proposal to merge with BAE.

Sir Roland argued that there was an obvious synergy between the two businesses - particularly in property. BAE and Trafalgar House have a joint venture developing the Brooklands business park.

Sir Nigel was sceptical about the merits of such a deal but had further conversations with Sir Roland over the following five weeks.

In May, after Trafalgar reported a fall in pre-tax profits from £116.9m to £51.5m for the six months to March, Sir Roland was back on the telephone to Sir Nigel. What had caught Sir Roland's eye was Trafalgar House's property results - down from £64.5m to £15m. Sir Roland argued there was no sign of a revival in the property market. A merger with BAE, he argued, could shelter Trafalgar from a further property downturn.

Sir Nigel made it clear that Sir Roland would have to come up with more details on how the merger would work before he was willing to put it to the board. When the proposals were eventually put to Trafalgar's board, its members reacted with incredulity,

according to a director who was present at the meeting.

Sir Roland wanted to create a company which would incorporate the two conglomerates, though Trafalgar's ships and hotels would be sold. He would continue to chair the new group, with Sir Nigel as deputy. But there were no further details on who would run the divisions. What particularly irritated Trafalgar's board was that Sir Roland failed to define a role for Sir Eric Parker, Trafalgar's chief executive.

Nor was there to be any premium for Trafalgar's shareholders. As one board member put it: "Sir Roland wanted us to agree to sell our company for the market price."

It was then that other board members demanded whether Sir Roland had put the proposals to his own board. The answer was no.

For all their unhappiness with Sir Roland's style of corporate governance, a group of BAE's disgruntled directors believed it was more sensible for Sir Roland to go after a rights issue than before it.

However, events overtook them. "It became obvious two weeks ago that the board was against him," commented one of Sir Roland's friends. He turned for advice to Mr Brian Basham, the public relations adviser who had assisted his fight against Lomax, the international trading group, when he was chief executive of House of Fraser.

BAE's board had to put a stop to the reports that rumours that appeared in last week's Sunday papers of an imminent attempt by BAE directors to oust Sir Roland - or the rights issue would flop, leaving the shares in the hands of underwriters. If that happened, the share price could remain under pressure for months if not years.

The board faced two courses of action. It could reaffirm its support for Sir Roland or it could act quickly and replace him before the rights issue closed. By Tuesday its directors had unanimously decided to ask for his resignation. They also unanimously backed Mr Evans and Mr Eustace to lead the company out of its current turbulence.

Sir Graham was asked to take the chair because both Sir James Blyth and Hampel were actively engaged in their other jobs. But Sir Graham's tenure is temporary; there is speculation that Sir James could eventually take over.

As for the rights issue, the reason for Sir Roland's immediate departure is that he was not willing to put it to the board. When the proposals were eventually put to Trafalgar's board, its members reacted with incredulity,

Joe Rogaly Dialectical politics



Here is a funny thought. Imagine that all you knew about this Labour party was what it put in Wed-

nesday night's political telecast, while your entire stock of information about the Tories was derived from last week's Tory commercial. There would be no question about it. You would have to vote Labour.

The Conservative effort was all filmic images conveying subliminal messages. To the untutored brain, one is presumably that the prime minister must have had a relationship with that woman or she would not have been photographed giving birth in honour of voting for him and he would not have been kept hidden from the cameras for most of the show. Beyond that it was totally mystifying.

The Labour broadcast showed an actual person, Mr Neil Kinnock. He seemed very nice when made up. He spoke about political values. To the viewer who knew nothing else of domestic politics but these pieces of film, he must come out as the more intelligent and honest of the contenders.

More information is, however, forthcoming. Next week the television companies will provide full coverage of the Labour conference. The following week it will be the Tories' turn. These affairs are conducted in rare dialects, without benefit of simultaneous interpretation into English. I therefore offer a plain voters' guide to the tribal linguistics of British politics.

First, Labourers: Mr Kinnock says that he believes in a fixed-term parliament. Such a system "takes elections out of the manipulative hands of ministers, any ministers, and puts the power of election fully where it should be, in the hands of the people".

Translation: If by some bloody miracle we get in I'll use every trick in the book to make sure they never get us out again.

"I believe people pay enough taxes."

We'll raise them as high as we dare.

"Our policy review and the changes which we have made in our party have shown - and are showing - that we are in touch with the values of the British people and that we will govern with common sense and common decency."

If we didn't scare them with bogus allegations about non-existent Tory plans to privatise the National Health Service we wouldn't stand a chance.

The great task which will face a new Labour government is the modernisation of Britain.

They fell for Harold Wilson's 'white heat of the technological revolution' in 1964. Perhaps they'll fall for it again.

"Our objectives are clear: to build a world-class economy by creating the conditions in which business can succeed."

We've stolen Michael Heseltine's book about partnership with industry.

In the telecasts, Mr Kinnock came out as the more honest of the contenders

"... new pathways out of poverty and establishing decent pensions; building and improving public and private sector housing; combating crime; investing in a cleaner environment; and developing a health service that truly meets modern needs."

There'll have to be payoffs to pensioners if they vote for us and to the public sector unions if they keep quiet during the campaign.

The old ideologies - command economy at one extreme, crude free market economics at the other - do not work. If individuals are to flourish and society to thrive in freedom, people need the means to develop their potential; economies need the vitality of competition that is both fair and efficient. That is the essence of modern democratic socialism.

And old-fashioned conservatism.

This is a balanced column. When I contemplate the Labour and Conservative parties may chief threat is that one of them might win. So here is some Tory-speak, as developed by Mr John Major, from a script by the party chairman, Mr Christopher Patten.

"I'll announce the date of the election when I am ready. Meanwhile, there is much work to do."

If by some bloody miracle we get in for a fourth time I'll use every trick in the book to make sure they never get us out again.

"We know from eastern Europe that there is an intimate connection between political liberty and economic freedom. Regulated, socialised economies trample on human dignity, despoil the natural environment and depress economic performance."

Kinnock is a neo-communist.

"If the increase in a government's spending outstrips the increase in the country's income, the result is a higher tax burden, a heavier debt burden - or both."

As I know from my own performance as chancellor and prime minister.

"This must be the decade in which we raise the standard of all our public services, up to and beyond the best we see today. That is what the Citizen's Charter will aim to do."

As long as it doesn't cost anything.

"We have to contribute to a cleaner world by preventing the pollution of our own water and air. Environmental quality will be a watchword for the 1990s."

I'm going to capture the green vote.

I'm not going to say anything that might lose the motorist's vote.

With the election, so many pundits say, some way off, I naturally cannot offer a taster of our manifesto. (Mr Patten, last night).

Here is a taster of our manifesto.

"Our task in the next decade is to build on what was achieved in the last. I do not mean 'consolidation', a word that has been taken to mean standing pat, or dragging one's feet. I want to see us moving forward, drawing on the lessons of the 1980s, developing what has been successful, responding sensibly to new challenges within a framework of policies already in place." (Mr Patten)

We got rid of her. What else is new?

LETTERS

Case for poll tax rebates and no benefit clawback

From Ms Fran Bennett.

Sir, Your leader ("Chasing huttons", September 25) makes a strong case for the 20 per cent minimum contribution to the poll tax for those on low incomes. There are, however, additional arguments for this course of action to those you rightly put forward.

Yes, the principle has been conceded by the government. In its recommendation of 100 per cent rebates under the new council tax. Yes, it would make "business sense", in the words of the Conservative leader of the Association of County Councils, because of the disproportionate costs of collection.

But abolition of the 20 per cent liability - without a clawback of the compensation given in benefits - would also restore lost income to many benefit claimants. On CFA's

calculations, the compensation did not fully make up for a reduction in benefit levels from 1988 compared with the government's original plans. Many claimants, faced with higher than average poll tax bills, have found the compensation insufficient in the past. Lower poll tax bills this year are offset by increased VAT payments.

There is now, therefore, an overwhelming case for introducing 100 per cent poll tax rebates as soon as possible, without the "politically unacceptable" benefit clawback (in your leader's words). The Treasury must be persuaded to see sense.

Fran Bennett, director, Child Poverty Action Group, 4th Floor, 1-5 Bath Street, London EC1V 9PY

Remote investment decisions may threaten Aberdeen's port

From Mr Barclay Braithwaite.

Sir, In response to Richard Tomkins's report, "Bid armada threatens ports" (September 24), it should be noted that Aberdeen has operated extremely successfully as a trust port and it continues to do so.

Its entrepreneurial approach over the years has resulted in an increase in cargo tonnage handled from 2.5m tonnes in 1980 to 4m tonnes in 1990.

It is also worth remembering that trust status allows the harbour to reinvest all profit into upgrading and developing new facilities for the benefit of all its users, thus maintaining a high standard of service into the future.

Aberdeen Harbour has carefully considered all the implications of privatisation and can see no benefits for the port, which already operates to the stringent business principles dictated by successful private industry.

Unlike some ports with large unused areas, all of Aberdeen Harbour's land is fully utilised. Richard Tomkins's analysis of possible predatory consortiums confirms Aberdeen's disquiet that remote investment decisions are likely to disregard the local economy's reliance on the port.

From the beginning, Aberdeen has said that the merits of privatisation must be judged according to the individual circumstances of each port. This echoes the government's stated view which is demonstrated by the basically enabling nature of the Ports Act.

Barclay Braithwaite, general manager, Aberdeen Harbour Board, Harbour Office, 16 Regent Quay, Aberdeen AB9 1SS

decision about a permanent home for the European Parliament is long overdue. But it is not for the parliament itself to decide. The council has the responsibility.

One result of the inefficiency inherent in having no fixed abode is the high level of absenteeism, especially among Italian and French MEPs. (One would have thought the latter would find it very easy to get to Strasbourg.)

In turn, this weakens the parliament's ability to influence the shape of legislation because only rarely are more than 300 out of 518 MEPs present for votes under the Single European Act (260 are required).

It seems a missed opportunity that the Dutch did not propose a permanent home for the European Parliament.

Bryan Cassidy, MEP, (Dorset East and Hampshire West), Bureau 827, Van Marck, European Parliament, 97-113 Rue Belliard, 1040 Brussels

The letter from Mr Peter J Jones (September 23) should have referred to "justified" and not "unjustified" historical criticism of British Gas.

Step towards a peace conference

From Mr Martin P Hughes.

Sir, Your leader, "Palestine and the UN" (September 25), may be right to assert that the UN resolution equating Zionism with racism is redundant.

May I suggest that the international community should direct its attention to UN resolution 681 (December 20 1990), which is more practical and relevant to the current situation. This specifically envisages a meeting of "high contracting parties to the Fourth Geneva Convention to discuss ways in which they might

ensure Israeli respect for the provisions of that convention. Following the general tenor of your leader, it would seem logical and timely that ways are investigated to offer a degree of protection to civilians in the illegally occupied West Bank and Gaza. This would be precisely the step which would create a more stable climate for negotiations and the convening of the long-awaited peace conference.

Martin P Hughes, 14 Alexandra Road, St Albans, Herts AL1 3AZ

Opportunity to decide single site for European Parliament missed

From Mr Bryan Cassidy, MEP.

Sir, Amid the controversy caused by the proposals to increase the powers of the European Parliament ("Accord unlikely on Dutch political union plan", September 25), a major issue has been overlooked by the Dutch government.

The nomadic life of the European Parliament - committees in Brussels, staff in Luxembourg, plenaries in Strasbourg - hinders its effectiveness. A

Yet, despite an increase in the industry's productivity of almost 100 per cent in that period, more job losses seem inevitable.

Misleading statements of the type mentioned serve only further to undermine the bleak prospects facing those whose livelihoods still depend on the UK coal industry.

Norman West, MEP, Yorkshire South constituency, Barnsley

The letter from Mr Peter J Jones (September 23) should have referred to "justified" and not "unjustified" historical criticism of British Gas.

NUM has no great influence on power generation

From Mr Norman West, MEP.

Sir, Your lead editorial, "Competition in gas" (September 20) contained the unqualified assertion that the National Union of Mineworkers exerts monopoly power on UK power generation. A monopoly which justifies the government's encouragement of coal imports.

It has clearly been forgotten that:

● Almost 30 per cent of UK electricity is generated by fuels other than UK coal (including the heavily subsidised nuclear proportion);

● A fifth of British coal is produced by the open-cast sector where employees are largely

represented by the Transport and General Workers' Union

● Of the UK deep-mine coal produced, around a third comes from Midlands collieries which are not organised by the NUM.

Presently, less than half of the UK's electricity needs are met by NUM-controlled pits.

The reason for increased coal imports has nothing to do with breaking up the NUM's imaginary monopoly but everything to do with the generators' desire further to boost profits.

Since 1985, 110 pits and more than 130,000 mining jobs have been lost in the UK coalfields.

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RECRUITMENT

JOBS: Swedish researcher advises top managers to concentrate on the politics of survival

The real skills of big-company leadership

SOONER or later when reading books on management, the Jobs column is almost always reminded of moving home to the country at seven years old. My expectations of the move were high, thanks to the picture books I had been given as a town child.

They depicted rural boys and girls as living the life of Reilly Junior. In particular, far from being confined to a backyard, they freely roamed a world full of jolly farmers delighted to let children play with their lambs and calves and such.

What happened when I actually tried it is still too painful to describe. But I suspect it was much like the shock of taking up the real-life work of management after previously just reading about same.

For instance, most articles as well as books on the topic portray the job of managing as consisting essentially of decision-making. They give the impression that once a sufficiently senior executive has carefully reasoned out what to do, it is as good as done.

But that clashes with the things high-rank managers have told me when I have talked to them off-the-record over the late night oil, as opposed to interviewing them for the FT. To judge by their words, making decisions is an enjoyable doddle compared with getting their

outfit to take some concerted action tolerably resembling what the boss intended.

Which raises the question why experienced executives bother to read standard-type writings on management. And the only answer I can think of lies in a claim made by one of the few books that depart from the general rule, namely *The Boss* published in 1988, which I mentioned a fortnight ago.

The claim is that typical bosses are primarily driven by an urge to impose their will on other folk. Hence it may be that they read standard management books rather as older children read adventure tales and romances, to fantasise about themselves as they would really like to be.

If so, and they feel up to having a dose of realism thrown in, they may care to try another exceptional book to be published in paperback next week. Called *The Organisation of Hypocrisy*, it is the work of Professor Nils Brunnson of the Stockholm School of Economics who bases his observations on

practical consulting work he has done, mainly although far from entirely in Swedish public-sector organisations.

His good news for top executives - or at least those heading big and complex companies - is that it is right and proper for them to devote themselves to decision-making. What may seem bad news to some, however, is that they should not expect anything they decide to be put into force.

The thinking behind his advice starts from the premise that large complicated organisations can no longer guarantee their long-term survival merely by efficiently producing goods and services. The main reason is that, despite the rolling back of direct government intervention, a big group's future importantly depends on the approval of external concerns which, although knowing little or nothing about its business, have certain standards of their own to which they expect it to conform.

For example, no company can be world-class at more than a limited range of things, which fast-changing technology and markets

are apt to leave uncompetitive for lengthy periods before the company can turn to successful alternatives. In the interim, it may have to satisfy financial institutions that it is a fitting candidate for support.

But financiers are far from the only outsiders whose approval can be decisive. The others include numerous if not devious pressure-groups such as environmentalists and, east of the Atlantic, the ever ramifying European Community.

Moreover, as some of the external bodies' concerns conflict with each other let alone with efficient production, meeting the demands of the whole lot of them may be simply impossible.

Accordingly, a great deal of high-level political activity is required on the part of large companies' leaders to keep such influential outsiders persuaded that their interests are at least being seriously regarded.

The trouble is that if the top managers are to be good enough at the politics, they are unlikely to be able to maintain a detailed understanding of the processes, products and markets by which their

company earns its income. And we all know what happens to bosses who try to control complex things of which they have only superficial knowledge: it is called the "Yes Minister" phenomenon. They end up being controlled by supposed subordinates who possess the close understanding they lack, rubber-stamping the consensus decisions put up to them, if only for fear of the technical mayhem liable to ensue if they don't.

But even if the leaders have the wise humility to concentrate on burnishing the political appearance of the company, and leave its actual operations to those who thoroughly understand them, they still have a dilemma. Unless they are seen to be properly in charge by the outside world, they'll lack the credibility needed to influence the important external interests.

So what can company chiefs do? Luckily, Nils Brunnson offers pointers. They rest, he says, on four principles: distance, morality, responsibility, and reform.

Distance is best enshrined by repeated declarations that the topmost management concerns

itself solely with strategic issues and laying down broad guidelines, without getting involved in day-to-day operations. Such publicly established distance has great advantages for dealing with outside bodies. For example, although they will still expect the leadership to take decisions in line with their concerns, they'll accept that what's decided will be slow to take effect. What's more, being typically busy bodies, in the interim they will probably forget they ever wanted it.

But the corollary of being able to take such politically convenient decisions without hampering the company's efficiency, is that the chiefs really have to be aloof from day-to-day operations. Certainly they may walk around chattering to subordinates, but they must not become involved in what they are doing, and still less in determining their rewards or punishments.

The morality principle dictates that the goals set by the leadership should be on the highest ethical level. Professor Brunnson illustrates the practical benefits by pointing out that a top management which ordains that 85 per cent of products

must pass a quality test, will set every department complaining that the target can't be achieved without more resources. If the goal is that all products must be perfect, staff will often find ways to do better than 85 per cent costlessly.

Responsibility requires that, while the company's operational results are outside its leaders' control, they must be as willing to be blamed as to be praised for them. So resignations may sometimes be needed, albeit preferably with the scapegoat's real innocence being recognised by a suitably golden handshake.

The final principle, reform, dictates that chiefs must always look beyond the present to the future, and continually institute reforms visibly intended to improve their company. Even so, such top-down changes should be confined to aspects of its public appearance - its organisation chart, for instance - without being allowed to disturb actual working practices.

The reason, the professor says, is that besides being read as a good omen by outsiders, the idea that improvements are in the offing can be highly motivating to employees. But they tend to have the opposite effect if ever they start happening.

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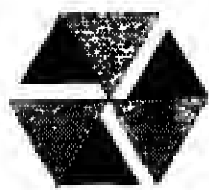
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For further information please contact **Leslie Walters** or **Jon Vank** on 071-499 0729 (evenings/weekends 081-444 1654 or 071-720 1527) quoting reference LW741.

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Appointments Advertising
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on page 2



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This is an exciting and challenging role in a young and dynamic company based in a pleasant location between Bath and Bristol, and requiring regular travel to the European subsidiaries. Success will lead to a Board appointment.

Please write, enclosing CV, for the personal attention of John Runacres, Managing Director, Clip International Ltd, Avon Works, Wick, Bristol, BS15 5PE.

ACCOUNTANCY COLUMN

Rules to reveal where profit may mean loss

By Robert Peston

THE LIQUIDITY, financial adaptability and viability of a company are of vital concern to its investors and bankers. Put another way, a key measure of the performance of any company is the amount of cash it generates.

Assessment of any company in this respect, however, is almost impossible using only the information provided in its accounts. Those unschooled in the Alice-in-Wonderland logic of company accounts may find it extraordinary, but there is a world of difference between the profits announced by a company and the cash it generates.

Big quoted companies, such as Polly Peck and Brent Walker, have faced severe financial difficulties only months after their accounts showed they were making record profits. Part of the explanation is that even the most conservatively managed companies show as profit sums of money that have not yet been received in cash.

As long as accounting rules are not abused, in the way that they are by some companies, reported profits are a reliable guide to performance over the longer term. But during a recession, investors and bankers should be more interested in any company's ability to pay its bills - they need to know how much cash it is actually receiving.

The first Financial Reporting

Standard issued by the Accounting Standards Board, established earlier this year to overhaul UK accounting standards, should at long last force companies to provide useful cash flow information. Professor David Tweedie, chairman of the ASB, believes that FRS 1, published today, is the most important of all the new standards which will eventually be produced by the body.

A cash flow statement will not need to be produced by all businesses. There is an exemption for small companies as defined by the Companies Act for those satisfying two of the following conditions: they should have sales less than £2m, fewer than 50 employees or total assets less than £275,000. They usually have few outside investors and the cost of preparing a cash flow statement was thought by the ASB to be excessive in relation to the benefits.

However, for all other companies FRS 1 supersedes Statement of Standard Accounting Practice 10 for accounting periods ending on or after March 23 1992. SSAP 10 required companies to provide a ledger of the source and application of its funds. But the effective definition of cash - or rather funds generated by operations - in this statement was too crude.

In the year to December 31, 1989, Polly Peck disclosed that

it generated funds of £173m from operations. On the basis of that figure, there was no reason for investors to believe that within months it would find it impossible to pay its creditors on time.

how the statement will appear in most accounts. The first line in the new statement, perhaps the most meaningful line, is net cash flow from operations. All companies will be obliged to provide a note to their

Items like depreciation, which do not involve the movement of cash.

If Polly Peck had been forced to draw up such a cash flow statement in its 1989 accounts, it would probably have shown a net cash outflow of £129m, because of its sharp increase in stocks and "debtors" (money owed to the company) during the period. That figure, which might have served as a warning to investors and bankers, could have been calculated from its accounts, but only after much labour.

The ASB is encouraging companies to provide a more useful breakdown of net cash flow from operations by the "direct method of analysis", although this is not compulsory. For a typical industrial company, this procedure will show cash received from customers, cash payments to suppliers, cash paid to employees and other cash outgoings. For the first time, accounts should give an insight into the minutiae of where funds come from.

All the companies interest and dividend flows will also have to be shown separately, which is a distinct improvement over the funds statement. Another useful innovation is that companies will have to provide more detail on how cash was invested during the accounting period.

Payments to acquire fixed assets will be shown separately from investments in goodwill,

or intangible assets. The proceeds from asset sales will be deducted from the sum of these two figures to give a net figure for the inflow or outflow from investment activities. In effect, a clearer picture will be given of what the company is doing to generate profits over the long term.

Much of the rest of the cash flow statement is familiar. Nonetheless, shareholders are likely to find the overall statement invaluable and should perhaps turn to it before looking at the profit and loss account.

What could have been learnt about Polly Peck if it had been forced to produce a complete cash flow statement in its 1989 accounts? Drafting the statement now is complicated by the paucity of information available in its accounts. But an approximation can be attempted.

Overall, it suffered a net cash outflow of £283m, taking account of the results of its mainstream trading business and its investments. It financed this outflow by issuing £28m of new share capital, selling £37m of bonds, increasing long-term loans by £406m and pushing up short-term loans by £281m.

This was a company expanding with remarkable rapidity despite the fact that its trading operations were eating up cash. That would have been useful to know.

XYZ LTD: CASH FLOW FOR YEAR ENDED 31/3/1992

	£'000	£'000
Net cash inflow from operating activities		6,889
Returns on investments and servicing of finance		
Interest received	3,011	
Interest paid	(12)	
Dividends paid	(2,417)	
Net cash inflow from returns on investments and servicing of finance		582
Investing activities		
Payments to acquire intangible fixed assets	(71)	
Payments to acquire fixed assets	(1,498)	
Receipts from sales of tangible fixed assets	42	
Net cash outflow from investing activities		(1,525)
Net cash inflow before financing		5,946
Financing		
Issue of ordinary share capital	211	
Repurchase of debenture loan	(148)	
Expenses paid in connection with share issues	(5)	
Net cash inflow from financing		57
INCREASE IN CASH AND CASH EQUIVALENTS		5,961

Companies were given too much latitude in preparation of the funds statement. It was difficult to make meaningful comparisons between what different companies said about funds generation.

In FRS 1, however, the ASB has laid down far more rigid rules. The table above shows

accounts showing how they reconcile their profits with this net cash inflow from operations.

In the basic version of the reconciliation statement, operating profit is adjusted to take account of movements in working capital - stocks, debtors and creditors - and for those

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FINANCIAL TIMES
EUROPE'S BUSINESS NEWSPAPER

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City

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Please write, enclosing a full career/salary history and daytime telephone number, to David Tod BSc FCA quoting reference D/998/F.

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South East
£40,000 + car + benefits

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The salary is accompanied by a car, executive bonus scheme and other large-company benefits including private health care and relocation assistance where appropriate.

Please send a full cv which will be forwarded to our client unopened. Address to the Security Manager if listing any companies to which it should not be sent. Ref: H7021/FT. PA Consulting Group, Advertising and Communications, 123 Buckingham Palace Road, London SW1W 9SR.

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Handwritten signature: David Tod

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West of London

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Please telephone or write enclosing full curriculum vitae quoting ref: 566 to:

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The Company adopts a matrix management structure and a small London head office controls not only the European Region but also a substantial worldwide product division, servicing the automotive and industrial automation sectors. The International Financial Controller will report to the Managing Director responsible for these two areas of the business and provide him with full financial support. This will entail working closely with him, establishing business plans for the operating companies and reviewing their performance; integrating new subsidiaries and developing their systems to meet US requirements; evaluating investment and

marketing plans; handling tax and treasury issues; and carrying out financial troubleshooting exercises.

This is a challenging, high profile position which will require a top-flight individual with flexibility, drive and commitment. Candidates should be qualified accountants of graduate calibre with self-confidence, discretion and board level credibility. Probably in your mid/late 30's, you will have sharpened your financial and commercial awareness in both head office and operating company environments. You will be comfortable in an international setting and familiar with US reporting requirements. Successful performance in this exciting and demanding role will lead to director status.

Please reply in confidence, giving concise career, personal and salary details to Paul Carvoso, quoting Ref: L806.

Egor Executive Selection
88 St. James's Street
London SW1A 1LD

EGOR
EXECUTIVE
SELECTION

United Kingdom · Belgium · Denmark · France · Germany · Italy · Netherlands · Portugal · Spain · Sweden

Financial Controller

Thames Valley,

c £28,000, Car Allowance

The wholly owned UK subsidiary of this American public company has experienced unrivalled growth since its inception a year ago. It produces premium entertainment software products, and supplies both the UK and a wider European market through a well established distribution network.

The immediate success demands an astute Financial Controller, earlier than forecast, to take over the full range of financial responsibilities and to play an influential part in steering the company through a challenging period of rapid expansion.

Reporting to the UK Managing Director, you will assume immediate responsibility for the appraisal of computerised financial management systems, forecasting and planning with particular emphasis on cash flow projections. Throughout you would maintain close liaison with the US parent company whilst making an effective contribution to the UK management team on the wider commercial aspects of the business.

Ideally a business graduate aged under 40 with 2 years post qualification experience, you should possess a broad based financial background where a knowledge of publishing or production would be an advantage. A tenacity to commit yourself to the longer term objectives of the company coupled with proven organisational skills are also sought. The role offers outstanding scope for genuine career development.

Male or female candidates should submit in confidence a comprehensive c.v. to, J.W. Conchie, Hoggett Bowers plc, George V Place, 4 Thames Avenue, WINDSOR, SL4 1QP. 0753 850851, Fax: 0753 853339, quoting Ref: W20051/FT.

Hoggett Bowers

BIRMINGHAM, BRISTOL, CAMBRIDGE, EDINBURGH, LEEDS, LEICESTER, LONDON, MANCHESTER, NEWCASTLE, WINDSOR and EUROPE

Chief Accountant

Distribution

West Midlands,

Highly Attractive Salary,
Car, Benefits

Federal Express is a world leader in the distribution of high priority goods and documents with a worldwide turnover exceeding \$7 billion, the UK division of the company is expanding its operations by continuing to offer the highest expertise and quality of service to customers. An outstanding opportunity has now been created for a qualified accountant to take up a new role reporting to the Director of Accounting. The main duties will be the preparation of quality management information and reports for the UK Board and US Head Office and also the development of all accounting systems. Ideally aged 28-38 it is essential that you are operating at Chief Accountant/Financial Controller level in a large organisation with multi-site activities. The successful candidate must possess 3-5 years post qualification experience and will be able to demonstrate strong computer skills. Prospects for career development within the company are excellent.

Male or female candidates should submit in confidence a comprehensive c.v. to, G.J. Deakin, Hoggett Bowers plc, 13 Frederick Road, Edgbaston, BIRMINGHAM, B15 1JD, 021-455 7575, Fax: 021-454 2338, quoting Ref: B18265/FT.

Hoggett Bowers

BIRMINGHAM, BRISTOL, CAMBRIDGE, EDINBURGH, LEEDS, LEICESTER, LONDON, MANCHESTER, NEWCASTLE, WINDSOR and EUROPE

c. £70,000 + excellent bonus

Group Financial Controller

Two key appointments based at the Group Head Office of this recently privatised FTSE 100 company, with turnover of well over £600m. The Group already has a wide international base with substantial US subsidiaries and an expanding worldwide programme of engineering projects built on leading edge water industry technology. To join a Group Finance team taking a highly pro-active role in generating profitable, controlled growth and optimising financial opportunities within the Group's strategic objectives.

THE ROLE

■ Reporting to the Group Finance Director, functionally responsible for internationally based subsidiary Controllers.

■ Consolidation and analysis of budgets, forecasts, variances and long range plans; contributing to improvement programmes and business development.

■ Frequent involvement in acquisitions appraisal, capital project approval and financing, and preparation and assessment of strategic plans.

Please quote reference: F195091M.

THE QUALIFICATIONS

■ A fast track, professionally qualified accountant, probably under 45, graduate calibre, highly numerate and computer literate. Potential for early career advancement.

■ Already Controller of a £100m subsidiary or plc with blue-chip reputation for profitable growth internationally. Knowledge of US accounting practice highly desirable.

■ Challenging, inquisitive, thorough and incisive. Diplomatic yet pro-active, you will be accomplished at facilitating lasting change within a corporate environment. Willing to travel.

London 071-973 0889
Manchester 061-941 3818

Selector Europe
A Spencer Stuart Company

North
West
Water

c. £60,000 + excellent bonus

Group Tax Manager

THE ROLE

■ Reporting to the Group Finance Director, responsible for a small professional team, strong functional links with Divisional management teams.

■ International and UK tax planning, reviewing legislation and compliance issues, liaising with external advisors, negotiating with authorities, establishing procedures.

■ Advising on corporate structures to optimise opportunities for efficient tax management. Close involvement with acquisitions, divestments and treasury issues.

THE QUALIFICATIONS

■ Professionally qualified, probably 35+ years, numerate and pc literate. Fully conversant with international tax regimes and legislation.

■ Experienced and proven in efficient tax management with plc or UK division of multi-national company with substantial US operations.

■ Pro-active and opportunistic within a sound framework of business maturity, professional expertise and experience. Willing to travel, motivated and contribute to corporate objectives.

Please quote reference: F196091M.

Please reply, enclosing full details to:
Selector Europe,
Bridge House, Ashley Road,
Hale, Altrincham,
Cheshire WA14 2LT.
061-941 3818

WHERE DID YOU SLEEP LAST NIGHT?

Director of Finance

c.£42k + Benefits



"Committed to providing affordable homes for people in housing need"

The Group has provided nearly 5,000 homes at a cost of £150 million in West London and the Home Counties. Having grown dramatically over the past five years, we now aim to invest over £30 million to provide 500 new homes this year.

Our present Finance Director is joining a leading housing association consultancy and we are looking for a dedicated professional with exceptional skills to replace him.

If you are an experienced accountant or financial manager, who wants to work for a dynamic and innovative housing charity contact:

Rita Tamba
Personnel Department
The Ealing Family Housing
Association Group
St. James' House
105-113 Broadway, West Ealing,
London W13 9BE
Tel: 081-579 7434
Fax: 081-567 9907

The Ealing Family Housing Association Group is an Equal Opportunities employer. Applications are positively welcomed from all people regardless of their gender, ethnic origin, marital status, sexuality or disability.



CAREER OPPORTUNITIES FOR CORPORATE RECOVERY MANAGERS

London

To £60,000

Touche Ross Corporate Special Services department has achieved remarkable growth through the provision of expert advice and assistance to companies with financial difficulties. We are frequently engaged on special investigative work for banks and other financial institutions. We have been involved in many high quality insolvency appointments which recently have included: Rush & Tompkins, Polly Peck International and BCCI.

Success breeds success and consequently we need to recruit first class managers. As a member of our Corporate Special Services professional team you will handle a wide range of assignments of varying size and complexity. You will cover receiverships, investigations and administrations and the work

will offer a constant challenge and wide autonomy in the management of assignments.

For this excellent career opportunity you will be a Chartered or Certified Accountant with at least two years relevant insolvency experience probably gained with one of the big firms. You will also be ambitious, highly motivated with strong interpersonal skills and well developed commercial awareness.

We have a highly progressive career structure which we will be pleased to discuss with you.

For further details please telephone or write to Bernadette Breen at Touche Ross & Co., Friary Court, 65 Crutched Friars, London EC3N 2NP. Telephone 071 936 3000

**Touche
Ross**

CHARTERED
ACCOUNTANTS

DIRECTEUR FINANCIER SOCIETE INTERNATIONALE DE PRET A PORTER

LONDRES/PARIS

ENSEMBLE EXCEPTIONNEL D'AVANTAGES

Cette PLC internationale est très connue pour ses marques de vêtements de mode et de loisirs. L'entreprise a sa propre base de fabrication, et commercialise et distribue ses produits dans le monde entier, directement ou sous des accords de licence. Les ventes de 1990 ont dépassé les 100 millions de Livres Sterling.

En tant que membre du Conseil d'Administration principal, vous serez chargé(e) de tous les aspects de la gestion financière du groupe, et, avec le Président, des relations du groupe avec les banques, les institutions financières et autres experts. Le poste est basé à Londres mais dans les premiers mois vous devrez passer une grande partie de votre temps à Paris, où la fonction finances est située actuellement.

Vous avez probablement autour de 35-45 ans, vous avez une formation supérieure d'expert-comptable, ou équivalente, et vous justifiez d'une expérience probante

des finances acquise à un niveau de direction dans une société internationale renommée pour l'excellence de ses contrôles de gestion. L'expérience préalable du secteur textile ou du vêtement n'a pas d'importance particulière. Quel que soit votre pays d'origine, vous devez être Européen(ne) de cœur et capable de conduire les affaires en anglais et en français. La connaissance d'autres langues serait un atout considérable.

Il s'agit d'une opportunité hors pair pour une personne exceptionnelle, et il est peu probable que sa rémunération pose un obstacle.

Merci d'envoyer un curriculum vitae détaillé, vos prétentions et un numéro de téléphone (heures de bureau), sous référence 3108 à Neil Cameron, Touche Ross Executive Selection, 1st Floor, Hill House, 1 Little New Street, London EC4A 3TR, Téléphone 071 936 3000.

**Touche
Ross**

MANAGEMENT
CONSULTANTS



Senior Recoveries Manager

The current economic conditions mean we need to recruit a Senior Recoveries Manager.

This position offers an unusual, challenging and rewarding opportunity for the right person.

We need an experienced manager to lead our recoveries team, possibly on a short-term contract.

The position requires a background in either corporate litigation or insolvency practice and involves negotiation with Clients, Debtors and Receivers in order to ensure maximum recoveries from book debts, guarantees and other securities.

The successful candidate will be responsible for the training and motivation of a small team and will report directly to the Managing Director.

He or she will be based at our head office in Haywards Heath but the position involves travel throughout the UK. The salary and bonus package being offered will result in on-target earnings of a least

£50,000 p.a.

Please reply in writing, enclosing your current CV to: The Managing Director, Venture Factors PLC, Sussex House, Perrymount Road, Haywards Heath, West Sussex RH16 1DN.

Rewarding Careers for Individual People

SIND SIE ÜBER 40 UND

MOECHTEN IHRER KARRIERE EINE NEUE WENDE GEBEN?

Infolge der Expansion eines erfolgreichen internationalen Unternehmens in Deutschland öffnen sich interessante Positionen im Bereich der profit-orientierten Rechnungsprüfung.

Unsere Kunden - hauptsächlich Handelsunternehmen - bieten wir eine einzigartige Dienstleistung an, ihre Gewinne zu steigern.

Wenn Sie (weiblich oder männlich) ein fundiertes Wissen im Rechnungswesen und womöglich einen Gesamtüberblick über die Usancen im Handelswesen besitzen, Ihr Können und Ihre Erfahrung leistungsorientiert einsetzen möchten, dann senden Sie uns bitte Ihre Bewerbungsunterlagen. Im übrigen sind die Verdienstmöglichkeiten sehr attraktiv.

Daniel Van der Spiegel
Bleichstr. 23/Schadowstr. 52
D-4000 Düsseldorf 1

Wir möchten zur Zeit zwei Positionen in Nordrhein-Westfalen besetzen, planen eine bundesweite Ausbreitung.

FINANCIAL CONTROLLER

London c £30,000 + Generous Bonus

West End based management services company with international business interests seeks a qualified accountant for the position of Financial Controller.

Responsibilities will include:

- Providing timely and accurate management information for a number of UK and non-UK companies;
- All statutory and taxation aspects of these companies;
- Group consolidations;
- Preparation of budgets and forecasts;
- Development and implementation of computerised management information systems;
- Administration of small office and training and supervision of staff.

The candidate will be a self-motivated commercial accountant with good communication skills and a hands-on approach.

Please send C.V. to Box A1644, Financial Times, One Southwark Bridge, London SE1 9HL

Financial Controller

c. £40,000 + Car
Harlow

This is a new appointment in an entrepreneurially managed consumer products group which has expanded rapidly in recent years in a recession-proof market sector where it is viewed in the industry as a leading player. Further organic growth using the existing formula and skills will be augmented by selective acquisitions in Europe and the USA.

Reporting to the Finance Director the Financial Controller will take responsibility for all aspects of the accounting and financial control and key elements of treasury for the UK-based businesses of a time when there are major developments in computerisation, budgetary control, and reporting requirements for a new SEC-quoted parent. There will be the stimulus of a very high degree of personal responsibility, a major learning curve to climb, and a requirement for comprehensive achievement.

Applicants must be graduate chartered accountants with an above-average record during big 6 training followed by 3-4 years' commercial experience. Knowledge of American reporting requirements will be particularly appropriate. The role calls for a versatile self-starter with the personal style to be effective in a medium-sized business. Age guideline 30-34. Relocation assistance is available if necessary.

Please apply in confidence quoting Ref. L491 to:

Brian H Mason
Mason & Nurse Associates
1 Lancaster Place, Strand
London WC2E 7EB
Tel: 071-240 7805

Mason & Nurse
Selection & Search

Challenging development and commercial role Finance Manager

Berks

c. £40,000 + Car

Our client is a major multinational manufacturer and distributor of high quality office furniture. With activities concentrated in all the major countries of the world, including four UK manufacturing sites, the organisation has built an outstanding reputation based on a firm dedication to the highest level of customer service.

Following a significant reorganisation, the company has reached an exciting stage in its development and now seeks a dynamic Finance Manager.

This role is wide ranging in scope and highly visible, involving extensive liaison with senior operational management as well as external parties. Reporting to the Finance Director with a central staff of six, you will assume responsibility for the development and control of the finance

function with specific responsibilities in areas of consolidated financial and management reporting, including the production of UK group annual budget, tax, treasury and certain legal matters.

You will be a graduate qualified accountant, preferably ACA, aged 28-35 with group-level experience gained in a multi-site environment. Extensive involvement and interest in systems development is a prerequisite. Essential personal qualities will include strong interpersonal and staff management skills, a high level of commercial flair and the drive and ambition to succeed within a multinational organisation.

Interested candidates should submit CVs to the advising consultant Sajid Baloch, MBA at Michael Page Finance, Windsor Bridge House, 1 Brocas Street, Eton, Berks SL4 6BW.

Michael Page Finance

Specialists in financial recruitment
London Bristol Windsor St Albans Leatherhead Birmingham
Nottingham Manchester Leeds Glasgow & Worldwide

City Solicitors

HEAD OF THE FIRM'S TAX

c£50,000 + car

A prestigious City practice, our client is now one of the largest law firms in Europe with offices in a number of the world's major financial centres.

Leading a small department, the applicant, as Head of Tax, will be responsible for all aspects of tax planning and management and associated accounting procedures for the partnership and its overseas operations. He or she will work closely with a Tax Partner and report to the Director of Finance. This sensitive role will also involve direct contact with the partners and a wide range of ad hoc projects.

Applicants should ideally be computer literate experienced accountants with extensive tax knowledge gained in a major firm of accountants, a similar large partnership or in commerce. They must also demonstrate that they have the maturity and communication skills to be readily accepted at the highest level.

A competitive remuneration package is offered and salary will not be a limiting factor for the right applicant.

Please write, enclosing a full career/salary history and daytime telephone number, to David Tod BSc FCA quoting reference D/996/F.

c£35K + Car
Leicester

c£30K + Car
Nottingham

To: £33K + Car
Nottingham

Make a major contribution towards the future growth of one of the most exciting Companies in the East Midlands

With over two million domestic and commercial customers and a turnover of around £1.2 billion, East Midlands Electricity plc is not only one of the largest companies in the region - it is also one of the most dynamic and fastest growing.

We have dramatically increased our competitive edge. We are diversifying to make full use of the new opportunities open to us. And we have exciting future plans in which our Accountants have a major role to play.

We now have three new opportunities for commercially astute, pro-active professionals who will make an immediate impact as we continue to accelerate our plans.

FINANCIAL CONTROLLER (DESIGNATE)

Electrical Installation Services

Serving domestic and business customers, our electrical installation business is growing rapidly - both organically and through acquisitions in terms of turnover and the level of profitability. Reporting initially to the current incumbent and eventually directly to the Managing Director of the Division, you will be a key member of the management team - making a major contribution to the commercial success of the business and the achievement of its financial objectives.

This will require a graduate who is Chartered, Certified or Management qualified with at least five years post qualification experience - ideally in an industrial/electrical contracting environment although applicants from the profession will be considered. Strong analytical skills are particularly important.

Vacancy No. 91-1341

MANAGEMENT ACCOUNTANT

Electricity Division

Supplying and distributing electricity throughout an area of 16,000 square kilometres, our Electricity Division is a large and complex operation - the core of the business requiring continuous and substantial capital investment and accounting for the majority of our turnover and profits.

Reporting to the Divisional Financial Controller, you will lead a small team providing a totally professional financial management information service to meet the business needs of Head Office and our thirteen District Managers.

A graduate and Chartered, Certified or Management qualified, you will have relevant experience within a large turnover, multi-site operation using highly sophisticated systems. Particular ability in the areas of budgeting and capital investment control is important together with analytical and systems development skills.

Vacancy No. 91-1342

MANAGEMENT ACCOUNTANT

Trading

This is an important role which will make a major contribution to the commercial success and achievement of financial objectives of a range of businesses outwith the core electricity business. These comprise retailing, electrical installation, manufacturing, security and energy management.

Working closely with the Financial Controller - Trading, you will become heavily involved in all aspects of the financial management of the businesses including planning, budgeting, performance monitoring and the collation/presentation of management information.

You will be a graduate, Chartered, Certified or Management qualified and possess a minimum of five years proven experience in industry or with one of the large practices.

Vacancy No. 91-1343

The importance of these positions means we need dynamic, forward looking Accountants who have confidence, flair and excellent inter-personal skills. The jobs will grow as the business grows - so personal ambition is a must!

Relocation assistance is available where appropriate and the excellent benefits include contributory pension scheme, 23 days holiday, concessionary purchase terms, sports and social facilities etc.

Applicants who are registered disabled and meet the above criteria will be guaranteed an interview.

Application forms are available by telephoning (0800) 671152 or 673211 (24 hours) and must be returned to the Head of Personnel Services, East Midlands Electricity plc, 388 Coppice Road, Arnold, Nottingham NG5 7HX, by 10 October 1991 quoting the appropriate vacancy number.

East Midlands Electricity
Committed to Equal Opportunities

FINANCIAL TIMES EUROPE'S BUSINESS NEWSPAPER

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STEPHANIE SPRATT
071 873 4027

FINANCIAL TIMES
EUROPE'S BUSINESS NEWSPAPER

FINANCIAL CONTROLLER

This opportunity is due to the expansion of a large US high tech company, operating out of Wokingham, Berkshire. The successful candidate will be responsible for the systems, controls and accounting records of several businesses.

This includes the reporting of monthly and year-end accounts, plus recommendation and implementation of procedures and systems to strengthen the controls of these businesses. As the businesses are diverse, so are the accounting/control requirements. Also, the individual will work as part of the management team.

The successful candidate is a fully qualified accountant experienced in both reporting and accounting controls, and interacts well with operating management. Background required includes credit & collections, foreign currency translation, and consolidation.

Send a cv to:

David Robbins,
Division International Controller,
Dynatech Corporation,
Ilex House, Mulberry Business Park,
Fishponds Road,
Wokingham Berks RG11 2GY
No Agencies Please

c. £42,000 + excellent benefits

Eurotherm International plc

Worthing Area

Finance Director

The Eurotherm Group is a world leader in the supply of industrial control equipment with an outstanding reputation for innovation and quality. A £20m subsidiary, already dominant in its sector and with a range of exciting new products seeks a strong, commercial finance professional to join an enthusiastic management team. Superb opportunity to significantly improve profitability and performance through the application of sophisticated financial management techniques. Key role in the planning and implementation of future growth strategy within a Group that recognises and rewards exceptional performance.

THE ROLE

- Influential Board member responsible to MD for provision of accurate and timely management information to improve control, decision making and working capital management.
- Upgrading financial reporting and manufacturing control systems and developing the central accounting team. Highlighting areas across the company where cost and performance efficiencies can be achieved.
- Active involvement in determining future strategy. Forging close links with senior operating management.

THE QUALIFICATIONS

- Bright, qualified accountant with first class professional training and awareness of current accounting procedures. Track record of success and promotion in a recognised manufacturing organization.
- Balanced strategic and commercial focus. Computer literate with manufacturing systems experience. Good analytical and interpretative skills. Ability to handle ad hoc projects.
- Excellent man manager, communicator and team player. Persuasive and proactive style that achieves results.

London 071-973 0889
Manchester 061-941 3618

Selector Europe
A Spencer Stuart Company

Please reply, enclosing full details to:
Selector Europe, Ref F294091L,
16 Connaught Place,
London, W2 2ED
071-973 0889

هكذا من المثل

Deputy Treasurer

c£40,000 + Car Graduate ACA

This Group is a major UK plc, headquartered to the west of London, whose operating businesses have extensive overseas interests. The Board's policies include a programme of acquisition and subsequent restructuring which requires an active contribution from Treasury management.

As a consequence of an internal promotion a new Deputy Treasurer is sought to continue the pro-active role of Treasury and be particularly concerned with the international restructuring and funding across the Group; foreign exchange and interest rate management; acquisitions and major capital projects; treasury systems; and making a positive contribution to the bottom line.

Applicants should be graduate chartered accountants, trained in a large firm, with well-developed presentation and reporting skills and knowledge of corporate restructuring and taxation. Personal qualities must include a logical mind, the confidence to operate internationally, and a positive approach which gets things done. Age guideline - early 30s.

Please apply in confidence quoting reference L490 to:

Brian H Mason
Mason & Nurse Associates
1 Lancaster Place, Strand
London WC2E 7EB
Tel: 071-240 7805

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071-873 3460

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071-873 3199

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071-873 3607

FINANCIAL TIMES

WEST YORKSHIRE

c £45,000 + BONUS + CAR

Finance Director

For a fast expanding group of companies primarily engaged in wholesale and retail activities. The Group, which has a turnover of around £30 million, provides a diversified range of consumer products and services and has ambitious plans for further organic and acquisitive growth.

Reporting to the Managing Director, you will be a major player in a small but dynamic management team responsible for the control and development of the business. You will have full responsibility for the Group's financial and secretarial affairs with key emphasis on the establishment of financial policy and strategy, the development of sound management information systems and the assessment of new business opportunities, including acquisitions.

You will be a commercially astute qualified accountant with a track record at pro-active business orientated management, ideally gained in an FMCG environment. You must be a "hands on" and enthusiastic individual with the ability to manage change and cope with the pressures of growth.

Please send full personal and career details including current remuneration level and daytime telephone number, in strict confidence to Angela McDermott, Coopers & Lybrand Deloitte Executive Resourcing Ltd, Albion Court, 5 Albion Place, Leeds LS1 6JP, quoting reference 248AM.

Coopers & Lybrand Deloitte Executive Resourcing

WEST MIDLANDS

£30k + CAR + BENEFITS

Corporate Audit Manager

This large, well established, independent financial services business based in the Midlands with a nationwide network of offices is reviewing many aspects of its business as part of a plan to develop the business further.

As part of the drive to improve the overall standard and security of administration systems, a head of the corporate audit function is now required. Emphasis in the position will be placed upon an independent review of the procedures and controls of the business, and on involvement in the changes to be implemented. The position will report to a main board director.

You will be a qualified accountant with good interpersonal skills and either commercial audit

experience in a progressive business environment or experience gained in a large professional accountancy practice. You should also possess sound skills in computerised systems assessment in order to support a substantial commitment to the computerisation of head office and branch office administration. Opportunities for further career development will be available.

Please send full personal and career details, including current remuneration level and daytime telephone number, in confidence to John Elliott, Coopers & Lybrand Deloitte Executive Resourcing Ltd, 43 Temple Row, Birmingham B2 5JT, quoting reference JE21D.

Coopers & Lybrand Deloitte Executive Resourcing

Group Financial Controller

Major Quoted PLC

West Yorkshire

Our client is a highly successful and expanding quoted public company operating in both the manufacturing and distribution industries. It has an exceptional and enviable profits growth record, has recently completed a major acquisition and is a market leader in its operating areas. It trades worldwide with expanding subsidiaries in Europe.

Based at the Group Office and reporting to the Group Finance Director, the Controller will be a key member of a small high calibre team responsible for the accounting and financial control of the Group. Working at a senior level, the person appointed will establish strong links with the Divisions and Subsidiaries within the Group.

You will be a qualified accountant, aged mid-30s with a degree, ideally with experience gained with one of the international accounting firms, followed by a senior financial role at the head office of a major public group. You must be highly motivated with strong leadership and intellectual qualities and be able to demonstrate first class technical and interpersonal skills.

The position, based in West Yorkshire, carries a benefits package which reflects the importance of the role and the opportunity for continuing career advancement. Candidates earning less than £40,000 are unlikely to be relevant for consideration for this appointment.

If you are interested, please telephone Stuart Adamson FCA or Graham Marlow on 0532 451212 or send your CV in confidence, quoting reference number 770, to Adamson & Partners Ltd, 101 Aston Square, Leeds LS1 4LY. Fax number 0532 420802.

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Finance Director

Charity for Young Homeless People

Not less than £30K



For an information pack and application form contact:

Kim Richardson
Centrepiece Soho
5th Floor
140a Gloucester Mansions
Cambridge Circus
London WC2E 8HD
Telephone: 071-379 3466

For more than 20 years, young homeless people in London have depended on Centrepiece Soho's emergency shelters and hostels. Through the support of central and local government, business, charitable trusts and many individuals, we have taken on the challenge of youth homelessness - one of the capital's greatest disgraces.

With a turnover of nearly £5 million annually, 120 staff, over 7,000 admissions a year and an ambitious development programme, we believe that strong and innovative financial management is central to our continuing success.

Our new Finance Director will need to have a full accountancy qualification (or ICSA with a finance specialisation) and be a skilled manager, capable of playing a key role in funding negotiations with government and industry at the highest level. He or she will also enjoy the prospect of working within a dynamic management team.

We can offer you a job with not only professional and financial rewards. Centrepiece's success brings hope - and a better life - to many homeless young people.

And that's no disgrace.

For an informal discussion, call Jeff Ziron of HACAS, our advisers, on 071-609 9491.

Closing date for receipt of completed application forms: Wednesday 16th October 1991.

COST EFFECTIVE CAREER COUNSELLING
We offer in-depth counselling sessions, psychometric tests, assistance with CVs and job applications and access to the underused market at a reasonable price.
For a free preliminary discussion call 071-730 7495

Debenco

Debenco Limited
2 The Courtyard, Smith Street,
London SW3 4EE

MERIDIAN

SENIOR ACCOUNTANT
£30,000 + Mgt. Exp. + Benefits
Leading investment bank seeks an experienced Senior Accountant for a permanent role in its London office. The successful candidate will be responsible for the preparation and presentation of the company's financial statements and will also be responsible for the company's tax affairs. The successful candidate will be a member of the Institute of Chartered Accountants in England and Wales (ICAEW) and will have a minimum of 5 years' experience in a similar role. The successful candidate will be based in the London office and will report to the Finance Director.

Call Andrea Whitford
25 Newman Street
W1A 1UT

Rec Code
071 255 1555

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071-873 3694

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FINANCIAL TIMES

FINANCIAL MANAGEMENT CONSULTANCY

OIL INDUSTRY

Speak with authority from a position of influence

Coopers & Lybrand Deloitte is a firm of management consultants and accountants with an international reputation for providing effective business solutions. In all industry financial management we are consolidating our strengths, developing further a team of specialists whose ability to analyse, advise and manage change gives them a highly influential role.

To develop that team, we are looking for an experienced financial management specialist, able to establish immediate credibility as an informed and able consultant. Some 10 years' experience in the oil industry is highly desirable. Whether within an oil company or an oil and gas consultancy practice, you will have reached a senior position and demonstrated an outstanding record of achievement.

An accountancy qualification and an extensive knowledge of upstream and downstream activities are essential. You must also be persuasive, diplomatic, able to communicate effectively and, ideally, speak a second language.

If you have that rare combination of qualities, you can look forward to a significant role extending across the oil industry, offering immense variety, a close involvement at the most senior levels and considerable influence.

When we add to our team, we choose people of the highest calibre and reward them accordingly. If you consider you have a contribution to make, please write, enclosing your cv, to Rebecca Adams, Coopers & Lybrand Deloitte, Plumtree Court, London EC4A 4HT, quoting ref: FT 002 on both envelope and letter.

Coopers & Lybrand Deloitte Solutions for Business

FINANCIAL CONTROLLER

(DIRECTOR DESIGNATE)

North Staffordshire £40,000 Package

With sales of £30m and substantially increasing annual profits, Churchill, Britain's largest independent pottery manufacturer, is searching for a Group Financial Controller to help steer the company through the next phase of ambitious developments.

The successful candidate should be a qualified Chartered Accountant, between 30-40 years of age with proven track record in substantial, fast growing industrial companies.

The position requires the ability to present financial information and accounts for both internal and external consumption and experience of financial management within listed companies and prominent exporters would be a clear advantage.

The person appointed will be a member of the Senior Management Team, and will participate in decision making and policy formation in a competitive environment.



Please send full career and personal details including salary progression to:
Andrew Roper, Commercial Director,
Churchill Tableware Limited,
Marlborough Works,
High Street, Sandyford,
Nr Tunstall, Stoke-on-Trent Staffs. ST6 5NZ.

Divisional Finance Director

c £60,000 plus benefits
Southern Home Counties

Our listed client has grown significantly for the past few years and now enjoys a strong market position, with turnover in excess of £500m. It operates through three major integrated divisions with a small Head Office management team.

There is now a need to recruit a Finance Director for a key Division, which operates in a fast moving, trading environment. The traders are young, professional and highly successful, and the financial and administrative functions must be equally efficient: the accounting and systems team of twenty operates in a tight and demanding environment. You should be a professionally

qualified accountant aged about 40, with a successful track record in a transport, trading or distribution business; you will have considerable general management, and, ideally, IT experience. Credibility, and commercial and interpersonal skills are, however, more important than pure technical knowledge. You should be competitive and ambitious enough to make a contribution to the future development of the group.

Please reply in confidence to John Cockerill, BSc, FCA at 21 Sefton Street, Looe SW15 1NA, giving concise career and salary details and a day time telephone number, and quoting reference C1015.

John Cockerill Associates

Finance Director Industrial Electronics

c £50,000

Berks

Very attractive position in subsidiary of highly regarded British plc, for progressive finance professional with exemplary track record at senior level in a manufacturing environment.

THE COMPANY

- Highly profitable, plc subsidiary. Multi-site operation employs 500 people in new custom built accommodation.
- Designs, manufactures, supplies and supports technically sophisticated equipment for specialist markets worldwide.
- World market leader in key product groups.

THE POSITION

- Reports to MD and guides Board on financial affairs.
- Responsible for all financial reporting and controls, strategic input to policy formulation.
- Broad remit with management responsibility for large finance and systems department.

- Strengthen systems to enhance reporting capabilities. Improve management information and maximise profitability.

QUALIFICATIONS

- Graduate, Chartered or Management Accountant, 32+ with manufacturing background and management accounting bias.
- Experience in implementing computer systems. Proven management skills.
- Enthusiastic and ambitious with good business brain and flair.

Please write, enclosing full cv, Ref SK3932
54 Jermyn Street, London, SW1Y 6LX

S ELECTION

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Group Finance Director Upstream Oil & Gas Plc

To £70,000 Base + Options

South East

Exceptional opportunity for a first class Chartered Accountant to assume full responsibility for the commercial management of an established British plc committed to growth and acquisition.

THE COMPANY

- Successful British independent oil and gas exploration and production company.
- Interest as operator and co-venture partner in the North Sea, offshore and internationally.
- Strong management team with clear and aggressive growth plans, significant institutional backing.

THE POSITION

- Responsible through small head office team for all financial and treasury management. Report to Managing Director and deputise in absence.
- Prepare and analyse annual budgets, corporate plans and proposed acquisitions. Liaise and negotiate with joint venture partners.

- Manage auditing, taxation and bank relationships. Represent company to shareholders.

QUALIFICATIONS

- Commercial graduate PCA, aged 32-50, with previous full cost upstream oil and gas accounting experience, including PRT and joint venture accounting.
- Credible at the highest level. Technically strong with a flexible, hands-on approach.
- Strategic planner and motivator capable of significantly affecting the bottom line.

Please reply in writing, enclosing full cv,
Reference A3054
54 Jermyn Street, London, SW1Y 6LX

N-B
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Finance Director Consumer Durables

c £35,000 + Benefits

North West

A superb opportunity for a first class financial professional to play a vital role in managing this growing manufacturing company.

THE COMPANY

- Autonomous subsidiary of successful group, £25m turnover, 500 employees, own transport fleet.
- Outstanding product range in quality household goods. Profitable.
- Well positioned to exploit opportunities of a rapidly changing market.

THE POSITION

- Total responsibility for financial management of three manufacturing sites. Report directly to MD.
- Key member of management team with full involvement in company's general management and strategic direction.

- Improve I.T. systems and tighten cost and management accounting to maximise profitability.

QUALIFICATIONS

- Qualified management accountant, energetic and decisive, FD experience in manufacturing essential.
- Thorough knowledge of integrated standard costing and computerised Bills of Material.
- Excellent communication and management skills. Proactive and profit orientated.
- Good administrator, ambitious, with "hands-on" style and the drive to succeed.

Please write, enclosing full cv, Ref MK3818
Courthill House, Water Lane, Wilmslow, SK9 5AP

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Financial Controller

c. £42,000 + Excellent Package

Central Scotland

Exceptional opportunity for talented finance professional to manage financial and management accounting functions of this major company. Key task to drive review of current procedures during a period of considerable change. A demanding, intellectually stimulating and influential management position.

THE POSITION

- Reporting to Finance Director, fully responsible for all budgeting, financial reporting, control and analysis.
- Emphasis on creative approach, introducing accounting practices to enhance the efficient reporting and management information systems already in place.
- Lead well established and highly effective senior accounting management team. Excellent career prospects.

QUALIFICATIONS

- Graduate qualified accountant aged 30-35 with minimum five years broad experience in several industry sectors.
- Technically sound with demonstrable leadership skills and commercial awareness. Creative strategic thinker with ability to manage change.
- Confident and energetic self-starter, able to relate well at all management levels, ideally with a sense of humour.

Please reply in writing, enclosing full cv,
Reference UK3933
78 St Vincent Street,
Glasgow, G2 5UB

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Coca-Cola Middle East

FINANCIAL SYSTEMS ANALYST Windsor

c£30,000 + Car + Benefits + Relocation

THE GROUP

Established 105 years ago, The Coca-Cola Company has grown to be the world's most powerful trademark as well as the only truly global soft drinks production and distribution system, and with international net sales in excess of \$10 billion needs little in the way of an introduction.

THE OPPORTUNITY

An exciting opportunity has arisen for a qualified accountant to join Coca-Cola Middle East's highly motivated management team. Reporting directly to the Vice President and Manager of Finance, this varied role will involve extensive travel throughout the Middle East on assignments of up to one month in length. You will be responsible for feasibility studies for new franchises, operations and systems audits, the development and implementation of financial systems, and special projects and investigations as requested by management.

THE CANDIDATE

The successful candidate will be a young qualified accountant with at least 2 years' experience of audit and financial systems review. Ideally gained within the Middle East. Fluency in both written and spoken Arabic is desirable as the role involves working with local staff. You should be able to demonstrate a positive record of achievement, possess a high level of self motivation and commitment and be willing to relocate in 2 - 3 years to the Middle East for career advancement.

For further information on the above position contact Jeff Price on (0742) 306659. Alternatively, please forward your CV in complete confidence to the address below.

PRICE MORGAN
ACCOUNTANCY RECRUITMENT CONSULTANTS

Riverdale House • 89 Graham Road
Sheffield • S10 3GP • Tel: 0742 306659

EQUITIES ACCOUNTING MANAGER

c.£40,000 Package Full Banking Benefits

An accomplished ACA, aged under 32, is sought by leading City investment bankers for a high profile role.

Motivating a small team, you will be responsible for the preparation of the UK equities results and the review of worldwide equities operations. These tasks entail the co-ordination of periodic financial/management reporting and the control of the budgeting/planning processes whilst ensuring compliance with the FSA's regulatory requirements. Extensive liaison at a senior level is an essential feature of the post, as is the provision of technical support on accounting issues.

To qualify for consideration, you should have a thorough grasp of both equities and SFA reporting combined with the sound management and communication skills enabling you quickly to make your mark.

In order to further your interest in this outstanding opportunity please call Paul Glazet on the number below or out of hours on 0767 27530. Alternatively, please write briefly enclosing a CV quoting ref. 8030.



personally recommended
EXECUTIVE CONNECTIONS

BANKING & FINANCE
10-11 RAILSON AVENUE, LONDON EC3V 3EL TEL: 071-498 1022 FAX: 071-498 1025

CORPORATE FINANCE EXECUTIVE

£26-28,000 + Car + Bonus + Bank Benefits

My Client is a City investment bank of the highest repute which seeks a newly/recently qualified ACA with not more than twelve months PQE.

Reporting to an Assistant Director, you will assist with transactions embracing acquisitions, divestments, MBOs, MBIs, flotations etc. The size of individual teams within the Corporate Finance Department is kept deliberately small so that you will gain the widest possible experience, including extensive contact with clients. Also of note is the fact that there are few very large company clients, thus ensuring that you derive enhanced intellectual stimulus from tackling a larger volume of deals.

To meet my client's rigorous selection criteria, you must be able to offer impeccable academic/professional credentials and outstanding interpersonal skills. You must also have the ambition and ability to take you rapidly up the promotion ladder.

If you are interested in this outstanding opportunity, call David Hughes on the number below or out of hours on 0767 27530. Alternatively, please write briefly enclosing a CV quoting ref. 8035.



personally recommended
EXECUTIVE CONNECTIONS

BANKING & FINANCE
10-11 RAILSON AVENUE, LONDON EC3V 3EL TEL: 071-498 1022 FAX: 071-498 1025

IRAN

FINANCIAL CONTROLLER

A fast growing company with substantial international backing, is seeking an experienced Financial Controller to manage the total finance function, establish control systems and introduce computerised accounting, budgetary and reporting procedures.

Candidates should ideally be graduates, ACA and/or MBA qualified, with broad financial management experience gained in both trading and manufacturing environments. Fluency in Farsi and English is essential.

The position will be based in Tehran and a substantial remuneration package will be negotiated.

Interested applicants should send
full career details to

Box A414, Financial Times, One Southwark Bridge,
London SE1 9HL.

PEREGRINE

FAR EAST STOCKBROKING

Head of Research — Singapore

We are a Hong Kong-listed stockbroking and financial services group active in Asian equity markets for an international client base. Our research products are established and well-regarded within the industry.

Our Singapore subsidiary is involved in the domestic stockmarket and is also the ASEAN regional headquarters for business development.

Reporting to an Executive Director, the successful candidate will lead a young team of investment analysts producing both macro-economic and company research.

Applicants should be in their early thirties with a strong academic background in economics and/or accounting and with direct professional experience in Asian markets. Proven analytical skills and the ability to write well are necessities as is a working knowledge of PC-based software.

The position offers generous salary/bonus, together with housing and other expatriate benefits. Please submit a detailed resume (with photo), including current compensation, together with telephone contact to the below address. [Initial interviews will be conducted in our London office].

Regional Director
Raffles City P.O. Box 1236
Singapore 9117

Financial Controller

c £35K + Car
Based in EC1

This is a key role in MENCAP, a substantial and expanding organisation which provides and promotes services for people with learning disabilities including 400 residential homes, employment schemes, leisure and training activities.

The Financial Controller will be responsible for directing the activities of the Finance Department, currently employing 30 staff, ensuring that all financial controls are adhered to and targets and deadlines met. Staff management is an essential element to this job and the postholder will be responsible for ensuring that staffing resources are deployed most effectively to meet the Department's priorities and reviewed on a regular basis.



MENCAP is a registered charity
Working towards equality in employment.

Applicants should be qualified accountants with substantial experience of managing a large and diverse group of staff as well as organised, analytical, energetic and in possession of excellent communication and interpersonal skills. Applicants will also need to be able to demonstrate an ability to manage change in order to meet the growing needs of the organisation. For further details and an application form please contact Personnel Department, MENCAP National Centre, 123 Golden Lane, London EC1Y 0RT or call our 24 hour answerphone on 071 454 0457. Closing date for receipt of applications forms: Friday 18th October 1991.

ActionAid - Britain's fourth largest development charity working with children, families and communities to improve the quality of life in some of the poorest parts of the world is seeking to recruit a:

DIRECTOR OF FINANCE AND ADMINISTRATION

ActionAid is currently operational in 19 countries throughout Asia, Latin America and Africa with an annual income in excess of £25M.

Reporting to the Chief Executive, you will be expected to contribute to the senior management policy process and to lead a senior management team with specific responsibility for the strategic planning and controlling of ActionAid's worldwide financial activities. You will also be responsible for the management and development of our International Computer services.

You will need stamina, excellent interpersonal skills, a good appreciation of information technology and sensitivity to the issues of the voluntary sector; experience in an international environment useful but not essential. Degree level education, a professional accountancy qualification and significant post qualification experience in a senior management role of at least five years is essential.

Salary package from £30,000.

Please apply with full cv and supporting letter to Lesley E Halliwell, Personnel Department, ActionAid, Tapstone Road, Chard, Somerset TA20 2AB, by 18th October 1991.

We aim to be an equal opportunities employer.

ActionAid

Registered Charity No 274467

مركز معلومات

New challenges with an expanding force in worldwide Exploration & Production

Reading

British Gas is now firmly established as a major presence in the oil and gas industry worldwide and is unrivalled in its commitment to continued expansion, both internationally and domestically.

With a current turnover of £978m and an operating profit of over £300m, ESP made a major contribution to the Group's record current cost post-tax profits of £0.9 billion announced earlier this year. Future financial targets are equally ambitious.

This exciting and ongoing increase in activity has created a number of new and challenging opportunities within the Exploration Finance, Financial Accounting division.

Joint Venture Accountants

You will be responsible for all operated joint venture activities on licences throughout either the Southern or Northern North Sea. You will have a highly visible role, both externally with partners and internally with technical departments.

You will prepare and submit budgets and work programmes, presenting resulting AFE's to partners for approval. In addition to vetting contracts for drilling, seismic surveys, etc. you will monitor daily operational performances against agreed costs, advising on variances where necessary.

A qualified accountant, you have five years' relevant experience, some of which has been gained with an oil company with North Sea interests. Of equal importance will be strong presentation and communication skills combined with the ability to interact effectively with technical disciplines in the field.

Financial Accountant

The company's UK ESP operations have a current turnover in the region of £0.75 bn and you will take specific responsibility for designated aspects of financial accounting for one of the operating companies. Reporting to the Principal Financial Accountant, this will include preparation of annual statutory accounts, half-yearly figures for consolidation and monthly accounting statements, all to strict reporting deadlines.

A qualified accountant, you have at least two years' relevant post-qualifying experience gained through oil company audit or direct employment within the industry. You are familiar with large scale integrated computer systems and have the ability to motivate staff and timetable their work.

Cash Management Specialists

Of these two roles, one will take responsibility for day to day cash management including cheque runs, bank reconciliations and cash call administration. You will also manage a cash office, which is to be set up as a new service for employees at the Reading site.

The second role covers cash forecasting and longer term cash management, working in close liaison with Group Treasury to give currency breakdowns, monitor cash flows for overseas offices and ensure that excess funds are remitted to Group on a timely basis.

For both roles you will be given extensive computer training.

You are preferably a finalist, with at least two years' cash management experience with a large international organisation. Experience of staff management would be an advantage.

Highly competitive packages, which include company profit sharing and sharesave schemes, company car (depending on level of appointment) and a range of other attractive benefits, reflect the importance of these positions.

You will be based at the ESP Division Headquarters at prestigious new offices in Reading and generous relocation assistance will be provided where appropriate.

In complete confidence, please telephone or write with CV, clearly stating which position is preferred, to: John Black or Penny Strawson, Simpson Crowden Consultants Limited, 97/99 Park Street, London W1Y 3HA. Telephone: 071-629 5909.

An equal opportunity employer ✓✓

British Gas

Computer Auditor

c.£30,000
Car

A major international subsidiary of a leading UK Plc, our client is one of the 'Top 5' music companies and the world leader in music publishing. With a turnover in excess of £1000m they have achieved record profit results for the third consecutive year. Strategic investment in acquisitions, I.T. systems and manufacturing has not only increased their market share substantially, but left them poised for further global expansion.

An outstanding opportunity has arisen for a computer auditor. Based in London, up to 40% of your time will be spent working in the U.S., Europe and the rest of the world. Responsibilities will include providing support for the Financial Audit Team, reviewing new and existing application systems, reviewing data centre control and participating in financial and operational audit.

Aged 26-32, you will be either a qualified Chartered Accountant with strong computer skills or a commercially aware I.T. specialist. A good working knowledge of large and mid range IBM systems and a wide experience of PCs and LANs are essential.

Excellent career opportunities exist for mature, self-motivated individuals with a high level of interpersonal and communication skills. Fluency in a European language would be an advantage.

For further information call Fiona Bailey or Darrell Smith on 071-387 4349. Eves/weekends on 081-444 8933/081-892 1381 or write to them at Hunter Campbell, 40 Triton Square, London NW1 3HG. Fax: 071-383 7135.

Group Accountant

West End - £28,000 + Benefits

- Leisure Sector
- Small Growing Company
- NQACA

This European Leisure Group has reported record profit and growth results and is now keen to appoint a newly qualified ACA to the Group Management team.

A new position, it will report directly to the Head of Finance and have responsibility for managing a team of 8 staff. Key issues include enhancing the flow and analysis of management information, managing cashflow and pricing policy, and developing systems.

A practical, outgoing individual is required to play a full part in all aspects of Group Finance and must have a flexible, commercial attitude to projects.

If interested, please send a CV to Pippa Curtis or Liz Osborne at Douglas Llamblas Associates, 410 Strand, London WC2R 0NS or telephone on 071-836 9501, quoting ref. FT26991.

BIRMINGHAM
071-225 4421
DUBLIN
01-475 780
GLASGOW
071-225 7744

GLASGOW
01426 3348
LONDON
071-836 9501
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DOUGLAS LLAMBLAS
RECRUITMENT CONSULTANTS

NEWLY QUALIFIED

FINANCIAL TIMES
EUROPE'S BUSINESS NEWSPAPER

THE CITY and '1992'

From time to time Robert Walters Associates undertake a number of seminars on topics relevant to the finance and accountancy sectors as well as its mainstream financial recruitment activities.

Although '1992' may be yesterday's news, it has significant implications for the financial services sector in London.

With this in mind, RWA are holding a seminar, in conjunction with the Financial Times, entitled 'The Future of London as a Financial Centre', at Le Meridien, 21 Piccadilly, London W1 on the evening of Wednesday 9 October 1991 at 6.30pm.

We have invited three speakers to discuss the threats and opportunities facing accountants pursuing a career in the financial services sector. Specifically this will cover: the changing nature of the accountants' role; the strategy of the London banking community in the face of increasing competition and the differences in corporate culture between European, US and UK banks.

The speakers will be:

- Andrew Wright, Vice President, Business Unit Controller, Morgan Stanley International
- Simon Ball, Finance Director, Kleinwort Benson Securities
- Patrick Diggins, Assistant General Manager, Banque Indosuez

They will talk for 15 to 20 minutes each, after which time there will be an opportunity for all participants to discuss any issues you feel are relevant.

Refreshments will also be provided.

As places are strictly limited, please telephone Louise Swift on 071-379 3333 to reserve your place or write to her at Robert Walters Associates, 25 Bedford Street, London WC2E 9HP.

ROBERT WALTERS ASSOCIATES

LONDON WINDSOR BIRMINGHAM RESSALLS ANTWERP AMSTERDAM

FINANCIAL CONTROLLER

Basildon

c.£30,000

With the strong backing of its US parent company, our client, the UK subsidiary of a major international engineering group, is well equipped to ride out the recession and take advantage of new business opportunities which are now opening up. This £14m U/o company manufactures high quality components for the automotive and aviation industries worldwide and is currently implementing a new, forward-looking management strategy.

The Financial Controller is a key appointment newly-created to strengthen the senior management team and introduce more sophisticated commercial disciplines. Reporting to the Financial Director and working closely with the Managing Director, the Controller will head up a small accounting team and take responsibility for management reporting and financial control. The focus will be upon streamlining the systems, improving the quality of monthly management information and providing active support in the commercial decision making process.

Candidates should be qualified accountants with a well-developed business sense and several years' practical accounting experience gained in a manufacturing environment. They should be flexible, committed self-starters with the ability to instigate change and make things happen.

This is a real opportunity to make your mark in a progressive group with genuine scope for career development either in the UK or internationally. The role carries with it an attractive benefits package including relocation assistance if appropriate.

Please reply in confidence, giving concise career, personal and salary details to Paul Corvoso, quoting Ref. L605.

Egor Executive Selection
58 St. James's Street
London SW1A 1LD (071-629 8070)

EGOR
EXECUTIVE
SELECTION

United Kingdom • Belgium • Denmark • France • Germany • Italy • Netherlands • Portugal • Spain • Sweden

Head of Finance and Administration (Insurance)

Central London

c.£50,000 + Benefits

■ One of Europe's largest insurance groups with offices in some 30 countries worldwide and writing a wide range of insurance business is looking to recruit a commercially minded accountant for its London operation.

■ As part of the senior management team, the Head of Finance & Administration will lead the continued development of a strong management reporting and control function together with the provision of improved management information systems. Specifically the role will entail liaison with such areas as investment accounting, data processing and will provide involvement in a range of insurance issues in both general and like aspects of the business. The implementation and management of change in these areas will be a key element of the position.

■ Candidates for the position should be qualified accountants, aged 32-45, who offer demonstrable experience gained within general or life companies, ideally both. They should be diplomatic in their approach and be able to communicate effectively with such outside bodies as the DTI and the IRS. Lateral thinking and a commercial approach to business will be key attributes sought.

■ Please write enclosing a detailed curriculum vitae with salary details and quoting reference JC354 to Jeff Cottrell, Ernst & Young Corporate Resources, Becket House, 1 Lambeth Palace Road, London SE1 7EU.

ERNST & YOUNG

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appears every
Wednesday &
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edition only)
For further
information
please call

Richard Jones
071-873 3460

Teresa Keane
071-873 3199

Alison Prin
071-873 3607

FINANCIAL TIMES
EUROPE'S BUSINESS NEWSPAPER

BANKING OPPORTUNITIES £Excellent + Banking Benefits

A major international investment bank is experiencing considerable growth throughout the organisation and wishes to recruit a number of newly qualified accountants for Corporate Finance, Credit Analysis, Internal Audit and Treasury Accounting. Successful candidates must demonstrate an excellent academic background, including first-time exam success; strong analytical and presentational skills as well as business awareness. Previous financial services audit experience would be of considerable interest. In return, they can look forward to working in a lively and innovative environment.

Interested applicants should send a c.v. plus a hand written letter outlining their interest in, and suitability for, their preferred role, to Helen Hight, Senior Consultant.

Jonathan Wren & Co. Limited, Financial Recruitment Consultants
No. 7 New Street, London EC2M 4TP
Telephone 071-625 1256 Facsimile 071-626 5259

JONATHAN WREN EXECUTIVE

List of Successful Candidates

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 Pengilly M.D. (Coopers & Lybrand Deloitte),
 Southampton
 Peon N.T. (KPMG Peat Marwick McLintock), Leeds
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 Wolverhampton
 Perdoni G. (Neville Russell), London
 Peters M.A. (Arthur, Roberts & Gardner), London
 Peters P.A. (Touche Ross & Co.), London
 Perrett J.K. (Coopers & Lybrand Deloitte), Uxbridge
 Perriam L.M. (Price Waterhouse), London
 Perrius R. (Ernst & Young), London
 Pernis J.D. (Fletcher), Birmingham
 Pernis J.F. (Fletcher), Birmingham

Perry S. (Lepus) Sturges, London, Southampton
 Perry S. (Lepus) Thornton, Cheltenham
 Perry S.W. (Coopers & Lybrand Deloitte), Newcastle
 Upon Tyne
 Pert J.R. (Littlejohn Frazer), London
 Peters D. (Auckland Goodard Hampson & Swain),
 Windsor
 Peters J. (Arthur Andersen & Co), London
 Peters S. (Price Waterhouse), Birmingham
 Pettenger D. (KPMG Post Marwick McIntock,
 Huddersfield)
 Petis G.W. (Coopers & Lybrand Deloitte), Maidstone
 Phang F.T.L. (Arthur Andersen & Co), London
 Philbin M.A. (Shirley Blackburn), London
 Phillips J. (S.H. Hayward), London
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Phipps L.J. (KPMG Pest Marwick McLintock), Pool
 Picken J.S. (Arthur Andersen & Co), Leeds
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 London
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 Southampton
 Pilkington R.D. (Coopers & Lybrand Deloitte),
 Manchester
 Pilkington S. (KPMG Pest Marwick McLintock),
 Leeds
 Piller L.R. (Grant Thornton), Milton Keynes
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Pisavadi A. (Wilson Green), London
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 Plumbly A.M. (Touche Ross & Co.), London
 Plummer R.J. (Arthur Andersen & Co), Birmingham
 Poole D.F.C. (Price Waterhouse), St. Albans
 Pollitt V. (Coopers & Lybrand Deloitte), London
 Pollock C. (Price Waterhouse), London
 Ponting A.R. (Brooking, Knowles & Lawrence),
 Basingstoke
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 Pope S.P. (Dixon Wilson), London
 Pope T.J. (Touche Ross & Co.), London
 Porritt R.S. (Touche Ross & Co.), London
 Port J.J. (Coopers & Lybrand Deloitte), Maidstone
 Porter R.B. (Coopers & Lybrand Deloitte), London
 Porter C.D.S. (Coopers & Lybrand Deloitte), London

Potenza A.M. (Ernst & Young), London
Potter A.B. (Arthur Andersen & Co.), London
Potter J.A. (KPMG Peat Marwick McLintock), Leeds
Potts A.J. (PwC), London
Poullain-Patterson T.A. (Ernst & Young), London
Poulter L.J. (KPMG Peat Marwick McLintock),
Cambridge
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Power R.S. (Touche Ross & Co.), Cardiff
Prais D. (Crawfords), Salford
Pratt S.J. (Morison Storch), London
Preece H.E. (Bristol, Burrell), Guildford
Preen M.J. (Spicer & Oppenheim), London
Price A.K. (Lubbeck Fine), London
Price R.J. (Ernst & Young), London

Prior T.R.J. (Coopers & Lybrand Deloitte), London
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INTERNATIONAL COMPANIES AND FINANCE

Valeo hit by weak demand as net profits fall 48%

By William Dawkins in Paris

VALEO, the French automotive components group, yesterday reported a 47.8 per cent decline in net profits for the first half of the year and warned it did not expect an improvement in car industry demand until 1992.

The group's sales fell by 6 per cent from FF10.97bn (\$1.91bn) to FF10.3bn, on which net profits collapsed from FF498m to FF285m, hit by a FF88m exceptional charge for job losses. Demand from the replacement market - a third of Valeo's sales - was stable.

Valeo has responded to the car industry's problems by selling non-essential activities and curbing costs, so that the workforce stood at 28,000 at the end of June, 9 per cent down on the 30,800 payroll at the end of the first half of last year.

Stocks have fallen by 3 per cent from the end of the December to the end of June, helping to reduce borrowings from FF429m to FF235m, so that net debt has fallen from 54 per cent of net assets to 46 per cent over the same period.

German car demand is depressed in the second, except in Germany. In the eight months to the end of August, sales were 6 per cent down on the same period of the previous year.

German car demand is returning to a "more normal level" while activity in Europe generally and North American continues to be low.

However, the launch of several new models by Valeo's car producing customers should contribute to a stronger market next year, said the group.

Redland declines by 27% midway

By Andrew Taylor, Construction Correspondent

PRE-TAX profits at Redland, the world's biggest roof tile manufacturer, fell 27 per cent to £78.5m (\$137m) during the first six months of this year.

The company, also a leading supplier of aggregates and bricks in the UK, said an excellent performance in Germany was offset by falling profits elsewhere.

Profits were sharply down in Britain and the US, where the recession in the construction industry has been greatest.

Profits were also lower in Australia and in continental Europe, excluding Germany.

Redland shares rose 5p to 545p in London following the publication of the results.

Germany accounted for 40 per cent of group profits during the first six months. This compared with 30 per cent in 1990 and 20 per cent in 1989, said Mr Gerald Corbett, finance director.

Redland has been expanding in eastern Germany where it last year acquired four out of the five former state-owned roof tile plants.

Mr Corbett said that in September Redland had produced more tiles in eastern Germany than in the UK. The eastern German plants, since July, had been making profits as spending on house repairs in the former German Democratic Republic had risen.

Trading has been less comfortable outside Germany. Redland's UK profits in the first half slumped by 45.6 per cent. Overall group turnover fell by 11.9 per cent to £684m.

Earnings per share fell from 23.3p to 13.1p. The interim dividend was maintained at 8.25p.

Mr Corbett said that gearing, following the group's £280m rights issue earlier this year, had fallen to 14 per cent.

Redland warned that trading in the second half of the year would continue to be constrained by recession. The outlook for the UK remained poor, although parts of the US and Australia were showing signs of recovery.

Sales in continental Europe, outside Germany, were weakening.

Lex, Page 18

Nordbanken swallows its medicine

John Burton on the Swedish bank's drive for a cleaner balance sheet

BANKING history was being written, according to the glib motto introduced by Mr Hans Dalborg, the Nordbanken president, in announcing credit losses and provisions of SKr3.5bn (\$1.0bn) for 1991. "We have the largest loss a Swedish bank has ever recorded."

The huge setback for state-controlled Nordbanken, which reported an operating loss of SKr4.6bn for the first eight months of this year, is a textbook example of the mounting problems confronting the Scandinavian banking sector.

Nordic banks are now suffering the consequences of financial deregulation, lax credit controls and overweening ambition. "The balloon that was blown up during the carnival years of the 1980s has burst," said Mr Dalborg, who took over at Nordbanken in January.

Nordbanken's new management team was surprised by what it discovered after the government ousted the bank's former executives in December as credit losses climbed.

"What the hell is going on here?" was how Mr Lars Thunell, the former head of financial services at Asea Brown-Boveri, described his reaction when he joined the bank in June as deputy chief executive.

Nordbanken has travelled a rocky road since it was formally inaugurated in June 1990 out of a merger between state-controlled PKbanken and its smaller provincial rival, Nordbanken.

The merger capped a rapid acquisition drive by PKbanken during the late 1980s as it attempted to boost its sluggish profitability by expanding away from its traditional customer base of small savers and lending to local governments and housing authorities.

Besides buying the UK bank English Trust and the Swedish state investment bank, PKbanken paid SKr2.7bn for the Swedish brokerage firm Carnegie and SKr5.8bn for the old Nordbanken.

PKbanken paid too much for Carnegie and the old Nordbanken as part of an attempt to compete on equal terms with Sweden's other two main banks, Skandinaviska Enskilda Banken and Svenska Handelsbanken, according to Mr Dalborg.

The price for the old Nordbanken included goodwill of SKr1.1bn, now considered an overvalued figure. Nordbanken has written off the remaining goodwill of SKr1.9bn, contributing to its pre-tax loss of SKr6.6bn for the eight-month period.

These credits were granted between 1988 and 1990. The losses mainly consist of large loans to finance, property and investment companies, such as Nylens and Mobilia, that went bankrupt at the value of their property holdings fell due to the recession.

The single largest amount of credit losses claimed by Nordbanken this year went to companies controlled by Mr Erik Penser, who had a 13.5 per cent

interest in Nordbanken after he sold Carnegie to the bank. Mr Penser's corporate empire collapsed last month after Nordbanken and S-E Banken said he failed to fulfil loan agreements, with the banks taking over his assets.

Mr Dalborg criticised Nordbanken's predecessors for taking "unreasonably large risks" in their lending. He added that internal controls on lending were lax following financial deregulation in the mid-1980s.

Borrowers could get loans from several branches, with the central office lacking oversight over the extent of the loans.

The decision to make provisions this year for two-thirds of the non-performing loans is designed to cleanse the bank's books quickly and restore confidence. "Despite the losses, which make me indignant and angry, Nordbanken is a secure bank," said Mr Dalborg.

Operating profits before loan losses and provisions fell by only 4 per cent to SKr3.4bn, while 215 of the 230 branch offices have positive lending records following recent efforts to tighten supervision.

Moreover, the new non-socialist government, which wants to privatise Nordbanken, has indicated it will accept plans for the Swedish state to subscribe to a SKr5bn new share issue by the bank.

This would allow Nordbanken to meet the capital adequacy ratio mandated by the Bank of International Settlements, while guaranteeing continued lending.



Hans Dalborg: criticised Nordbanken's predecessors

Cerus posts FFr315m net loss

By William Dawkins in London

CERUS, the French holding company controlled by Mr Carlo De Benedetti, the Italian financier, yesterday announced a FFr315m (\$55.2m) net loss for the first half of the year, burdened by heavy finance charges.

The figure is not directly comparable with the FFr15m profit the group made in the first half of 1990, because of the number of disposals Cerus has made since then to reduce the debts accumulated to finance its abortive attempt to take control of Societe Generale de Belgique, the Belgian

conglomerate, in 1988. Thanks to these divestments, Cerus has reduced its debts from FFr4.1bn at the end of last year to FFr567m by the end of June. Since the reduction took place progressively during the first half, there were still heavy finance charges to pay, but Cerus's results should recover "substantially" in the current half, said the group.

Valeo, the automotive components group which is 35.9 per cent owned by Cerus, and which also published first-half results yesterday, was performing

satisfactorily in a difficult market, while Banque Duménil-Leblé was extending its services, said the group.

Cerus at the same time confirmed the appointment of Mr Michel Cicurel, former managing director of Galbani, the French-owned Italian cheese supplier, as managing director, in place of Mr Jacques Leterre.

Mr Leterre was also at one time chairman of Duménil-Leblé, whose Swiss subsidiary was a victim of a fraud involving Italian shares early in the summer.

Hillsdown in £280.7m rights issue

By Jane Fuller in London

HILLSDOWN Holdings, the UK food, furniture and booze-building concern, launched a £280.7m (\$485.6m) rights issue yesterday to reduce debt and pay for acquisitions.

The 1-for-4 issue at 210p did not please the market, and the share price fell 11 per cent to 227.5p, wiping nearly £140m off the group's value. Earnings per share, which fell 14.5 per cent last year, are not expected to grow again until 1993.

Mr Kevin O'Sullivan, finance director, said the issue could dilute earnings by 1 to 2 per cent this year and 3 to 4 per cent next, although he thought this was the worst scenario.

Sir Harry Solomon, chair-

man, said of the issue: "We are much more comfortable with gearing of 15 per cent than 50 per cent."

The group planned to develop its food business in Europe and North America, by taking advantage of opportunities to buy companies in the £25m to £50m bracket. Food accounts for more than 80 per cent of the business.

Mr O'Sullivan said net debt was forecast to fall from £494m to about £400m this year. The rights issue should reduce that year-end figure to £120m.

Hillsdown's move last year to take control of Maple Leaf Foods in Canada had incurred C\$300m (US\$265.4m) debt,

pushing group borrowings to more than £800m. By the end of this year, the C\$300m outlay will have been recouped by disposals and cash management.

Nearly a quarter of the rights issue proceeds will go to Canada to enable Hillsdown to participate in Maple's recently announced C\$222m share issue to fund acquisitions. It will cost the UK parent C\$128m to maintain its 55 per cent holding.

First-half results announced earlier this month showed a slight fall in pre-tax profit to £77.6m from £78.5m on sales of £2.37bn, against last year's figure of £1.88bn.

Lex, Page 18

Stet lifts operating earnings

By Haig Simonian in Milan

STET, the holding company controlling Italy's public-sector telecommunications activities, raised operating earnings by 1.8 per cent to L1,546m (\$1.2bn) in the first half of this year.

The company forecast that, despite slower economic growth at present, earnings for 1991 as a whole "should be in line with the trend seen in recent years".

Net profits at consolidated group level last year rose 5.3 per cent to L1,355bn.

Consolidated sales rose by 14 per cent to L11,100bn, while investment, concentrated in the SIP telephone operating company, reached a record

L5,267bn in the first half.

STET's big state-owned Italian bank, announced a rise in operating profits to L564.7bn in the first half of this year, from L536.7 in the same period last year.

However, including extraordinary items - notably one-off capital gains, which pushed up operating earnings by L82.1bn last year - earnings amounted to L570.8bn against L623.3bn in the first six months of last year.

The bank said total deposits rose by 11.8 per cent to L79,570, while total loans rose by 16.4 per cent to L72,814bn.

Paribas reports little change

By William Dawkins

PARIBAS, the French investment banking group, yesterday reported little change in first-half profits, with a steep rise in operating revenues outstripping a fall in capital gains.

Net profits, including minority payments, rose fractionally to FF2.05bn (\$35.9m), from FF2.04bn in the six months.

Earnings from the group's banking subsidiaries and dividends from investments climbed steeply to FF778m from FF188m; and gains on the capital account fell from FF191m to FF152m.

Paribas also announced it was increasing provisions for doubtful debts by 31 per cent from FF2.48bn to FF3.23bn. The group had warned of a rise in corporate bankruptcies at Banque Paribas, its investment banking subsidiary, and a rise in consumer loan defaults, at Compagnie Bancaire, its financial services unit.

Moody's, the US credit rating agency yesterday put Compagnie Bancaire's long-term, borrowings under surveillance for a possible rating reduction, citing the growth in competition on the French market.

Shareholders' funds at Paribas have risen from FF4.7bn at the end of 1990 to FF5.7bn by the end of June.

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BNP first past the Finnish line



BNP and Caisse des Dépôts et Consignations have jointly launched a FRF 3 billion transaction with a 10 years maturity for the Republic of Finland. With the linkage of the FIM to the ECU, the Republic of Finland will be seen increasingly in the FRF market. This benchmark issue can be considered a cornerstone for further fungible issues. The issue itself is one of the largest transactions ever launched in the FRF market.

Issue terms:

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Maturity date: 24/09/2001 — Annual coupon: 9.25 %
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INTERNATIONAL COMPANIES AND FINANCE

Pepkor expected to buy Checkers chain for R120m

By Philip Gawth in Johannesburg

PEPKOR, the South African retailing group, appears poised to take over Checkers, one of South Africa's three largest supermarket chains, in a deal believed to be worth about R120m (US\$42.6m).

Although no announcement has yet been made, both groups have issued cautionary announcements in the past few days. It has been public knowledge for at least a year that Checkers was for sale as its parent, Tradegro, was in the process of divesting assets.

Pepkor considered acquiring Checkers last year, but agreement could not be reached on price. Matters were also complicated by a shareholder who sought to prevent the unbundling of Tradegro. Earlier this week, Tradegro's scheme of arrangement received judicial sanction from the Rand Supreme Court.

According to industry

sources, the deal would involve Sankorp, the industrial arm of the Sanlam insurance group, selling its stake in Tradegro to Pepkor, which would thereby obtain control of the Checkers chain.

Pepkor's most important interests are the Pep Stores chain - which has about 700 outlets selling mostly clothing, footwear and household goods - and the Shoprite chain of 72 supermarkets. Shoprite is expected to take over the Checkers stores.

Pepkor is believed to be planning a store rationalisation programme which could affect as many as 100 of its 168 stores. Many of the stores are encumbered with expensive leases which need to be renegotiated. Pepkor is believed to have offered some of the stores to Checkers' main competitors such as OK Bazaars and Pick 'n Pay.

Great Nordic to launch DKr500m rights issue

By Hilary Barnes in Copenhagen

GREAT NORDIC (GN), the telecommunications and electronic manufacturing group, plans a DKr500m (US\$77m) rights issue to help finance optical fibre cable projects between Denmark and the Soviet Union and in Poland, the group announced yesterday.

The issue will be a one-for-one issue at the market price and will be launched within the next two months.

GN has concluded three

important contracts this year, including a contract to lay an optical fibre telecommunications cable between Copenhagen and Leningrad, for a north-south optical fibre cable through Poland, and as a member of a consortium which won the licence to set up a new Danish mobile phone network in competition with the net operated by the phone companies. GN's first half turnover was down from DKr734m to DKr585m.

Riyad Bank to increase paid-in capital to SR2bn

RIYAD BANK, Saudi Arabia's second largest in terms of assets, said that it would increase its paid-in capital tenfold to SR2bn (US\$633.3m) during October, Reuters reports from Mecca.

The bank, which is owned by the Saudi Arabian Monetary Agency and Saudi shareholders, said in a statement that it would first transfer SR1bn from its reserves to capital.

A bank statement said the transfer would not affect the net worth of the bank, which has assets of more than SR40bn. However, it would increase the number of outstanding shares to 12m from a current total of 2m. About 8m of the new shares would subsequently be sold to the public, the statement said. The shares would be sold at a premium to par value, which is SR100.

Hopewell advances 15.5% to HK\$724m

By Angus Foster in Hong Kong

HOPWELL Holdings, the Hong Kong property and construction group, yesterday announced a 15.5 per cent increase in net profits for the year to the end of June.

The company reported profits after tax of HK\$724.5m (US\$93.6m) compared with HK\$627.4m a year ago. Turnover dipped to HK\$962m from HK\$1,076m last time.

Mr James Wu, chairman, said core divisions had performed satisfactorily despite a general economic slowdown.

The company paid a special interim dividend in May before a HK\$5.7bn rights issue. There was no final dividend. Total dividends for the year increased 8.3 per cent to 26 cents a share.

Hopewell completed a hotel project and two other developments during the year, boosting its investment portfolio to 197,000 sq m. Profits from the company's property holdings are set to rise sharply in 1991 and 1992, helped by new tenancies and rental reversions.

Mr Gordon Wu, managing director, issued a warning on Hong Kong's rising property prices. He said that increases this year, sometimes of more than 40 per cent, were inflationary and would squeeze first-time buyers out of the market.

Work is continuing on Hopewell's Guangzhou superhighway, a dual three-lane road linking Hong Kong's border with the capital of China's Guangdong province.

Sino Land, one of Hong Kong's most aggressive property developers, announced a 43.5 per cent increase in net profits to HK\$553.36m for the year to end-June. Turnover also rose sharply, up 41.4 per cent to HK\$1,576m.

The company is paying a final dividend of 8 cents a share, taking total dividends for the year to 14.5 cents, up 31.8 per cent.

The Hong Kong Stock Exchange yesterday voted against the reform package being pushed through by the Securities and Futures Commission, the overall market watchdog. The outcome of the vote was expected.

The stock exchange has until next month to introduce the SFC's reform package voluntarily or face statutory action.

Brierley Investments tumbles to NZ\$211m in year to June

By Terry Hall in Wellington

BRIERLEY Investments (BIL), the New Zealand investment and trading group, yesterday reported a 47.3 per cent drop in profit after tax to NZ\$211.7m (US\$121.7m) in the year to June, compared with a net profit of NZ\$401.7m in the previous year.

Results were depressed by flat performances in New Zealand and Britain, where the group has 57 per cent of its assets following last year's takeover of Mount Charlotte, the UK hotel group. A big improvement is expected in New Zealand due to management changes there.

Mr Bruce Hancox, chairman, said the past year had been the harshest the company ever faced. "But I've no doubt we'll do better this year," he added.

Mr Hancox said directors were comfortable with the results of the first quarter.

These had been helped by a sharp reduction in interest costs in the UK and New Zealand. Monthly group interest costs fell from NZ\$38m in January to NZ\$22m currently.

Mr Paul Collins, chief executive, announced a cut in annual dividend payout from 11 cents to 9 cents. He said that the corporate policy was to maintain or increase that dividend level and to aim for the company to be a NZ\$2 stock in four years.

He said the company was involved in a number of "interesting" and "very surprising" plays. These could involve buying, selling and swapping assets, but the size of investments would be governed by divestments, he said.

Tenzer Kemsley and Millbourn, the UK-based motor division, enjoyed a favourable year, helped by strong demand

for its automotive franchisees, including Subaru and Mazda dealerships.

The Mount Charlotte hotel group in the UK had performed as well as its competitors had in the recession, the group said, and only its heavy debt burden had prevented the division from making a substantial contribution to profits.

Mr Carter Holt Harvey (CHH), New Zealand's largest forestry group which is 31 per cent controlled by BIL, said yesterday it had filed a prospectus for the flotation of Simsmetal, the Australian scrap metal company with the Australian Securities Commission, Renter reports from Auckland.

Mr Richard Carter, CHH executive chairman, said that CHH expected to receive total proceeds of about A\$185m on completion of the flotation.

CSR downgrades profit forecast

By Kevin Brown in Sydney

CSR, the Australian sugar and building products group, yesterday downgraded its profits forecast for the current year, citing "very difficult market conditions in all the company's businesses".

Earlier this year, CSR forecast a fall in net profits to around A\$275m (US\$219.3m) from the A\$326m achieved in 1990-91. However, the group said it felt obliged to revise the forecast to "somewhere in the vicinity of A\$200m".

CSR said that results for the first half were expected to follow the normal pattern of being a little higher than the second half, due to the cyclical nature of some of the group's businesses.

The group also said it was

improving productivity and expected to reap "significant rewards" from economic recovery in Australia and the US, its two main markets.

In the short-term, however, sugar profits are expected to fall by 80 per cent from last year's level of A\$66m as a result of floods and drought during the growing season. Production is expected to fall by 17 per cent to 7m tonnes.

The mill most affected would process less than half its rated capacity of cane and operate for only about 13 weeks, the group said. Profits have also been hit by low sugar prices.

CSR said aluminium prices were at their lowest level since January 1987, and are expected to average around 20 per cent

less than last year. The division made A\$34m last year, but is expected to achieve "little better than break-even".

The Australian building and construction business is not expected to match last year's profits of A\$145m, but the group gave no indication of the likely extent of the decline. It said there was some confidence that the steep decline in activity had ceased, but signs of positive and substantial recovery had yet to emerge.

The US building materials division was benefiting from modest signs of recovery from depressed conditions, particularly in Florida, but results were expected to be "significantly down" on last year's A\$35m.

Notice
CARCO DEALERS' Wholesale Trust 1990-A
U.S. \$650,000,000
9% per cent.
Dealer Euromarket wholesale Auto Loan
Receivable-backed CertificatesTM
(the "Certificates")

NOTICE IS HEREBY GIVEN that following the receipt of the consent of at least 66% of the investor interest and satisfaction of all other terms and conditions of the Pooling and Servicing Agreement, dated as of August 1, 1990 (the "Pooling and Servicing Agreement"), by and among Chrysler Auto Receivables Company, as Seller, Chrysler Credit Corporation, as Servicer, and The First Bank and Trust Company, as Trustee, an amendment (the "Amendment") has been made to the Pooling and Servicing Agreement pursuant to which Section 9.01(e) thereof was amended and restated as follows:

(e) on any Settlement Date the aggregate amount of Receivables relating to Used Vehicles as of the last day of the preceding Settlement Period exceeds 20% of the aggregate amount of Principal Receivables on the last day of the preceding Settlement Period.

Standard and Poor's Corporation, Moody's Investors Service, Inc. and Duff & Phelps Credit Rating Co. have all confirmed that adoption of the Amendment will not result in a reduction or withdrawal of their triple-A ratings of the Certificates. Holders of Certificates may contact the Consent Solicitation Agent, the Trustee, or Swiss Bank Corporation for further information concerning the Amendment.

CONSENT SOLICITATION AGENT
The Chase Manhattan Bank, N.A.
Woolgate House
Coleman Street
London EC2P 2HQ
England
Attention: Raymond Morison
Telephone: (071) 726-7155
Telex: 8554861 (Amsterback) CHRG G
Teletype: (071) 726-5565 or 5679

TRUSTEE
The First Bank and Trust Company
Two World Trade Center
New York, NY 10048
U.S.A.
Attention: John McGurn
Telephone: (212) 899-2513
Telex: 42577
Teletype: (212) 321-2468

Swiss Bank Corporation
Swiss Bank House
1 High Street
London EC4A 3DF
England
Attention: Sally James
Telephone: (071) 711-2002
Teletype: (071) 711-2384

Chrysler Auto Receivables Company

September 27, 1991

Grindlays Eurofinance B.V.
U.S. \$100,000,000

Guaranteed Floating Rate Notes 1992
Guaranteed on a subordinated basis by



Grindlays Bank p.l.c.

In accordance with the provisions of the Notes, notice is hereby given that for the Interest Period 30th September, 1991 to 30th March 1992 the Notes will bear interest at the rate of 5 1/2% per annum. The Coupon Amount per U.S. \$100,000 Note will be U.S. \$3,001.74 and the Coupon Amount per U.S. \$10,000 Note will be U.S. \$300.17. The Interest Payment Date will be 30th March, 1992.

Agent Bank
Samuel Montagu & Co. Limited

Results for the first half of 1991, from CS Holding - the worldwide financial service Group based in Switzerland.

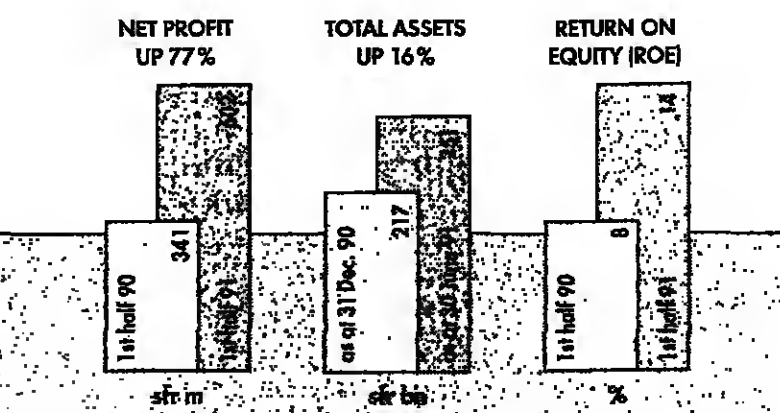
CS Holding's consolidated results for the first half of 1991 show a positive trend in earnings, which were largely unaffected by the generally lethargic pace of economic activity. All Group companies contributed to this success:

Credit Suisse
Leu Holding Ltd.
CS First Boston, Inc.
Electrowatt Ltd.
Fides Holding
CS Life

Group companies active in banking report a marked improvement in profits, compared not only with last year but also with the impressive results of 1989.

CS First Boston has recovered from the difficulties it encountered in 1990 and records a much higher-than-expected net profit for the first half of this year.

The improved conditions on the US capital market enabled bridge loans to be scooped down considerably. Thus, since the end of 1990, CS Holding has been able to reduce its total exposure from \$ 470 millions to \$ 135 millions.



The Credit Suisse Group, the Leu Group, the CS First Boston Group and all companies in which CS Holding has either a direct or indirect interest in excess of 50% are included on a fully consolidated basis while the Fides Group, CS Life and the Electrowatt Group are included on the basis of the equity method.

The Group's letter to its shareholders contains further information on our holding structure and other relevant details. To obtain your copy, call us on 41-1 212 02 90 or fax us your business card on 41-1 333 28 59.

CS Holding
Talacker 42
8021 Zurich
Switzerland

JCI to curtail South Deep gold mine project

By Philip Gawth

Johannesburg Consolidated Investments (JCI) has announced plans to proceed with its new South Deep gold mine in an extremely curtailed form, confirming that there is no possibility of starting a major new gold mine with the gold price at its current level.

Mr Kennedy Maxwell, chairman of JCI's gold and uranium division, said yesterday that current plans for developing the mine could be funded with the R168m (US\$69.6m) cash reserves the mine currently has available to it. South Deep Exploration Company raised R269m when it was listed in November 1990.

When the project was first unveiled last year, JCI was

planning to spend R2.2bn to bring the mine to production. Mr Maxwell described it then as "probably the largest and most important known gold ore body remaining to be exploited".

Mr Maxwell said with the gold price at current levels it was not propitious to go to the market to raise money for the project as originally envisaged. The savings will be made by pursuing a more modest shaft development plan, which will not restrict the mine's ability to revert to its original plan should the market improve.

Mr Maxwell said it was JCI's view that the market for gold would turn around in the next few years.

FIRST HALF EARNINGS RELEASE

Consolidated sales for the six months to June 30, 1991 amounted to FRF 1.3 billion, representing a 4.3 % decrease compared to the first half of 1990. The downturn, which was partially offset by strong sales in the second quarter, primarily reflected the economic repercussions of the Gulf War in the first quarter.

The margin lost as a result of the decline in sales caused operating income to fall to FRF 130.6 million. However, 60 % of Parfums Division sales are realized in the second half of the year and despite this setback, full year operating income is still expected to match that for 1990.

Net income amounted to FRF 41 million, compared to FRF 70.6 million for the first half of 1990, which included FRF 25 million in non-recurring exchange gains on debt management.

1991 NET INCOME FORECAST UNCHANGED

Those first half results are not a meaningful reflection of probable full year performance and the Group stands by its forecast of only a slight drop in net income for the year compared to 1990.

FRF Millions	First half 1991	First half 1990	First half 1989	% Change 1990/1991
Sales	1,300.1	1,358.8	1,292.1	- 4.3
- Couture	256.0	264.7	230.0	- 3.3
- Parfums	1,043.4	1,083.1	1,062.1	- 4.5
- Other	0.7	1.0	1.0	NS
Operating income	130.6	187.3	175.9	- 30.3
Interest expense	98.0	80.1	120.1	- 2.3
Foreign exchange gains	3.9	24.3	3.4	NS
Net income	41.0	70.6	49.3	- 41.9

For further information, please contact : Isabelle Gerin - Investor Relations Tel : 33 (1) 44 31 65 34

YVES SAINT LAURENT

YPF Sociedad Anónima

Ministry of Economy and Public Works and Services, Republic of Argentina

Calls for the qualification and selection of national and international foreign oil and gas companies to enter into association with YPF Sociedad Anónima for the exploration, development and exploitation of hydrocarbons in the Argentine Republic Austral Basin, pursuant to the Terms and Conditions established by International Public Tender No 14-279/91.

Area	Approximate Surface Area (in square miles)
Santa Cruz I (Province of Santa Cruz)	11,200
Santa Cruz II (Province of Santa Cruz)	5,300
Tierra del Fuego (Province of Tierra del Fuego)	590

Terms and Conditions

The Terms and Conditions may be purchased at a price of US\$ 200. Checks should be made payable to YPF Sociedad Anónima. Only companies or consortia which meet certain qualification criteria will be permitted to bid for the right to enter into an association with YPF Sociedad Anónima.

Interested parties may acquire the Terms and Conditions starting September 30, 1991, in YPF Sociedad Anónima's headquarters, located at Avenida Roque Sáenz Peña 777, 8th floor, office number 832, Buenos Aires, Argentina, at any time between 9 am and 12:30 pm; or in YPF Sociedad Anónima's Technical and Commercial Office, at 5 Greenway Plaza, Suite 250, Houston, Texas 77046, Tel: (713) 621-4850 or Fax: (713) 621-4803 at any time between 10 am and 12 pm; or they may request further information from YPF Sociedad Anónima's Financial Advisers, namely MORGAN STANLEY & CO. INCORPORATED, at 1251 Avenue of the Americas, New York, NY 10020, Tel: (212) 705-7236 or Fax: (212) 705-7888, and ROBERTS CAPITAL MARKETS S.A. at 25 de Mayo 258, Piso 1002, Buenos Aires, Argentina, Tel: 331-5874 or Fax: 331-5826.

Qualification Period

Interested companies or consortia are required to deliver a Qualification Form and related documents to YPF Sociedad Anónima, Avenida Roque Sáenz Peña 777, 8th floor, office number 832, Buenos Aires, Argentina, on Mondays through Fridays beginning at 9:00 AM on October 2, 1991 through 4:00 PM on October 25, 1991. Companies or consortia that meet the qualification standards will be notified in writing.

Bid Date

Bids for the Areas will be opened on December 16, 1991 at 11 am in YPF Sociedad Anónima at Avenida Roque Sáenz Peña 777, 13th Floor, Buenos Aires, Argentina.

MORGAN STANLEY & CO.
Incorporated

ROBERTS CAPITAL MARKETS S.A.

NOTICE OF EARLY REDEMPTION

to the holders of
Bell Resources Financial Services N.V. (The "Issuer")
U.S. \$200,000,000 5 1/4 per cent. Guaranteed Convertible
Subordinated Bonds due 1996 (the "Bonds") unconditionally
guaranteed on a subordinated basis by, with non-detachable
conversion bonds (the "Conversion Bonds") issued by, and
convertible into Ordinary Shares of ASX50 each of Australian
Consolidated Investments Limited (previously named Bell
Resources Ltd.)

NOTICE IS HEREBY GIVEN that, pursuant to Condition 8(B) of the Bonds, the Issuer has elected to redeem all of the outstanding Bonds on 13th November, 1991 (the "Redemption Date"). In accordance with Condition 8(B) of the Bonds, the Bonds are to be redeemed at a redemption price of 103 per cent of their principal amount (the "Redemption Price"), together with interest accrued to the Redemption Date. The Bonds will cease to bear interest from the Redemption Date.

The Issuer and the Trustee have received differing advice on the construction of Conditions 8(B) and 8(C), as to whether the exercise of the Issuer's right to redeem at 103 per cent overrides a holder's right to call for redemption at the 117.70 per cent. The Trustee has made an application to the High Court in England seeking a Declaratory Judgment as to the construction of these Conditions and a further notice will be published in due course with regard to any Declaratory Judgment which is obtained.

Holders are referred to the Reminder published on 27th August, 1991 and reminded that any holder who wishes to exercise his option under Condition 8 (C) should deposit his Bonds (with the form of election of early redemption enclosed on such Bond duly completed), in the case of a Bearer Bond, with any Paying Agent listed below or, in the case of a Registered Bond, with the Registrar or any Transfer Agent listed below not earlier than 29th September, 1991 and not later than 14th October, 1991, although such exercise may not override the exercise by the Issuer of its right to redeem under Condition 8(B) as set out in this notice.

The Redemption Price and accrued interest will be paid in respect of Bearer Bonds against surrender of Bearer Bonds and Coupons numbered 5 maturing on the Redemption Date, on and after the Redemption Date, at any specified office of any Paying Agent listed below by U.S. dollar cheque drawn on, or transfer to a U.S. dollar account maintained by the payee with a bank in New York City. Bearer Bonds should be presented for redemption together with all unattached Coupons, failing which the face value of the missing unattached Coupons will be deducted from the sum due for payment. Any amounts so deducted will be paid against surrender of the relevant Coupons at any time after such deduction and prior to the expiry of ten years from the Redemption Date.

The Redemption Price will be paid in respect of Registered Bonds against presentation and surrender of Registered Bonds, on and after the Redemption Date, at the specified office of the Registrar or any Transfer Agent listed below by U.S. dollar cheque drawn on a bank in New York City. Accrued interest will be paid in respect of Registered Bonds to the persons shown on the Register at the close of business on 29th October, 1991 by U.S. dollar cheque drawn on a bank in New York City and mailed (at the holders' risk) to the holders or to the first named of joint-holders of Registered Bonds at their addresses appearing in the Register.

Payment of the Redemption Price and accrued interest is subject in all cases to any fiscal or other laws and regulations applicable thereto, but without prejudice to the provisions described under Condition 10 of the Bonds.

On redemption of the Bonds, the Conversion Bonds attached thereto shall simultaneously be redeemed at the amount actually paid up thereon, being U.S.\$0.01 per U.S.\$1,000 principal amount of the Conversion Bonds.

The right to convert the Conversion Bonds into Ordinary Shares of ASX50 each of Australian Consolidated Investments Limited shall terminate at the end of 5th November, 1991, the eighth day prior to the Redemption Date.

As from the date hereof, neither the Issuer nor the Registrar nor any Transfer Agent will be required to register the transfer of any Registered Bond or portion thereof or, subject as provided in Condition 3 of the Bonds, to exchange any Bearer Bond for a Registered Bond.

The attention of holders is drawn to the Conditions of the Bonds and, in particular, to Conditions 7, 8 and 9 of the Bonds which contain further details regarding redemption and conversion.

PRINCIPAL PAYING, CONVERSION AND TRANSFER AGENTS
Swiss Bank Corporation, Aeschenvorstadt 1, 4002 Basle
AGENT AND REGISTRAR
Banque Générale du Luxembourg S.A., 27 Avenue Monterey, Luxembourg
Swiss Bank Corporation, 1 High Timber Street, London EC4V 3SB
Swiss Bank Corporation (Canada), 207 Queen's Quay West, Suite 700, Toronto M5J 1A7
Bell Resources Financial Services N.V.
27th September, 1991.

ISLE OF MAN

The FT proposes to publish this survey on
December 5, 1991.
This survey will be circulated in 160 countries
worldwide providing an insight view of the Island.
It will be of great interest to the FT's senior
businessmen readers plus our institutional and
private investors. To reach these audiences contact:
Ruth Pocock
Financial Times
Alexandra Buildings,
Queen Street,
Manchester M2 3HT
Tel: 061 834 9381
Fax: 061 832 9248
Telex: 666813

FT SURVEYS

U.S. \$100,000,000
B.B.L. International N.V.
(Incorporated with limited liability in The Netherlands
and having its statutory seat in Amsterdam)
Floating Rate Notes due 1993
Guaranteed on a Subordinated Basis
as to payment of principal and interest by

BBL
Banque Bruxelles Lambert S.A./
Bank Brussel Lambert N.V.
(Incorporated with limited liability in Belgium)
In accordance with the provisions of the Notes, notice is hereby given that for the Interest Period from April 23, 1991 to October 23, 1991 the rate for the first interest Sub-period from September 27, 1991 to October 23, 1991 has been determined at 5% per annum, and therefore the amount of interest payable against Coupon No. 13 on the relevant interest payment date October 23, 1991 will be U.S. \$3,078.30.

By: The Chase Manhattan Bank, N.A.
London, Agent Bank.
September 27, 1991

U.S. \$200,000,000
Floating Rate Subordinated Loan
Participation Certificates due 2000
Issued by Yamaichi International (Deutschland) GmbH
for the purpose of funding and maintaining a subordinated loan to
The Hokkaido Tokai Bank, Limited
In accordance with the provisions of the Loan Agreement, notice is hereby given that for the three month Interest Period from September 27, 1991 to December 27, 1991 the Loan Participation certificates will carry an Interest Rate of 5.8% p.a. and the Coupon Amount per U.S.\$250,000 nominal of the Notes will be U.S.\$3,665.28.

September 27, 1991, London
By: Citibank, N.A. (CSI Dept.), Agent Bank

FullerMoney
The International
Investment Bank
David Fuller
of Credit Analysis Ltd.
100 Broad Street
London EC4A 3DF
Tel: 01-477 400 004
Fax: 01-477 400 003

President's retirement sparks split at Chevron

By Alan Friedman
in New York

MR WILL PRICE, the outgoing president of Chevron USA, said the group's decision to split into three separate companies was triggered by his decision to take early retirement next year.

Chevron, the fourth biggest oil and gas group in the US, said this week that it would divide its US subsidiary into separate exploration/production and refining/marketing companies.

Warren Petroleum, a wholesale marketer of natural gas liquids that was part of Chevron USA, will become a third stand-alone company. All three groups will now be separately managed and report to Mr Ken Derr, chairman of the Chevron group.

Mr Price stressed in an interview that his retirement, at the age of 60, was voluntary. The split of Chevron USA would remove one layer of management, "and that is my job".

Chevron brought together a series of regional operations into one company - Chevron USA - in 1976. "Over the course of the years the business has changed and it is now clear we can better serve our customers by dividing Chevron USA along functional lines," Mr Price said.

Chevron, based in San Francisco, does not break down turnover figures inside the group, but the US unit now being split had estimated yearly sales of \$24bn last year, of total group turnover of \$42.4bn.

The refining and marketing side of Chevron USA recorded about \$17bn of estimated annual revenues, compared with about \$7bn for the exploration/production side and Warren Petroleum.

The marketing segment sells 1.4m barrels a day of oil, of which the Chevron USA exploration and production side supplies only 550,000 b/d.

Chevron USA has 23,000 employees. The new exploration/production company will have about 8,700 employees, the marketing company 12,500 and Warren Petroleum about 1,800.

Mr Price pointed out that Chevron's reorganisation was similar to those of Arco and Amoco, two of the company's biggest competitors.

Union Carbide cost cuts include loss of 5,500 jobs

UNION CARBIDE, the big US chemicals company whose second-quarter earnings tumbled by 60 per cent to \$4m, is to reduce its workforce by 5,500 people and take a fourth-quarter charge of between \$100m and \$150m, writes Alan Friedman.

The move is part of a cost-cutting programme that aims to reduce annual expenses by \$250m by 1994. The fourth-quarter charge will cover severance payments and other provisions, including write-offs of impaired assets.

Mr Robert Kennedy, chairman, said the aim was to

Storms buffet Swiss Re but payout remains intact

By William Duffell in Geneva

SWISS REINSURANCE (Swiss Re), the world's second largest reinsurer, yesterday disclosed a 22 per cent slide to SF21.6m (\$14.8m) in consolidated net earnings in 1990.

Profits had suffered from exceptional losses due to winter storms, Mr Walter Dähl, chairman, told shareholders.

The parent company in Zurich made a net profit of SF141.2m, which is 19.7 per cent down on 1989. The board proposes to pay an unchanged dividend of SF1.5 a share and SF3.9 per non-voting share, making a total payout of SF197.9m.

At the group level, Swiss Re recorded an underwriting loss of SF717m on its non-life business, against a loss in 1989 of SF141m. By contrast, in life insurance the group increased its underwriting earnings from SF177m to SF193m.

Financial income from investments rose by SF133m to SF171m, while other income and outgoings gave a positive balance of SF16m. Management expenses had remained stable while taxes were significantly lower, Swiss Re said.

Group gross premiums rose by 10.8 per cent in original currencies last year but, when converted into Swiss francs, the increase in volume declined by 1.2 per cent, to give a total of SF14.9bn. Net premiums amounted to SF13.8bn, which was also 1.2 per cent higher than in 1989.

Gross premium income at the parent company increased by 0.9 per cent to SF14.7bn, but this concealed an increase of 11.4 per cent in original currencies.

The parent's non-life underwriting loss increased to SF177m from SF128m, while

its profit on the life business, at SF14m, was SF11m higher. Zurich Insurance, the biggest Swiss insurance group, yesterday reported a 17 per cent improvement to SF10.5bn in gross premiums written during the first half of the year. Provided the remaining months do not expose the group to extraordinary losses or exceptional fluctuations in investments or exchange rates, Mr Fritz Gerber, chairman, expects a further improvement in full-year earnings. In 1990 the group posted net profits of SF138m.

Part of the first-half growth in premiums was attributed to currency fluctuations, the dollar in particular having strengthened against the Swiss franc. Nevertheless, premium growth in local currencies had been "a pleasing 9 per cent", Mr Gerber said.

Electrolux prepares to clean up across Europe

By Andrew Baxter

ELECTROLUX, the world's largest white goods manufacturer, yesterday relaunched its Electrolux brand across Europe in an attempt to strengthen its market position.

The Swedish company, whose other brands include Zanussi and Frigidaire, aims to reposition Electrolux as a pan-European "upper mass-market brand", beneath top-end specialist makes such as AEG or Miele but above middle ranges such as Zanussi and Hotpoint, according to the company.

Electrolux sees the initiative, codenamed Alpha, as the start of the third and final stage of its pan-European business

strategy. This started in the mid-1980s with acquisitions of groups such as Zanussi, then an ailing Italian white goods maker. Since then, Electrolux has spent about \$1.1bn on reshaping its manufacturing capacity and products for the whole European market.

Electrolux hopes the initiative will improve finances during the next two or three years, but there will be no immediate return. Although its first-half profits were better than expected at SKr1.1bn (\$150m) against SKr1.1bn a year earlier, the company is cautious about the business outlook.

SAS to cut some flights

SCANDINAVIAN Airlines System (SAS) said yesterday that it would reduce or stop service on three trans-Atlantic routes as part of a bid to save costs, writes John Burton in Stockholm.

SAS, which reported a record loss of SKr1.06bn (\$172m) for the first half of 1991, described the routes from its hub airport in Copenhagen to Toronto, Chicago and Sao Paulo as unprofitable. SAS will also stop flying to Tampere in Finland.

Service on the Chicago route will be shared with Austrian Airlines, while Swissair will take over the Sao Paulo service.

Swissair and Austrian Airlines are part of an alliance of medium-sized European airlines formed with SAS.

The flight-cutting measures follow stalled negotiations with trade unions about the carrier's cost-cutting programme, which includes pay freezes and job losses.

Petrobras monopoly challenged

By Victoria Griffiths
in Sao Paulo

BRAZIL'S federal government stepped up its efforts to put an end to state-owned Petrobras' monopoly in the country's oil sector this week with a proposal to allow private groups to drill for oil in Brazil.

Several foreign oil groups have expressed interest in operating in Brazil. President Fernando Collor de Mello has already proposed the end to the company's monopoly in oil refining. Both proposals have to be approved by Congress.

Of the many constitutional changes President Collor has proposed, the end to Petrobras' monopoly may be one of the easiest to get through Congress. Public resentment against the state oil giant runs high, and consumers often complain of excessively high petrol prices.

Opposition to Petrobras' monopoly gained strength following a strike by the country's oil workers this week. Petrobras is one of the country's biggest and most lucrative state-owned groups. Net profits in the first six months of this year surged to a record \$888m.

Notice of Early Redemption

NORSK HYDRO a.s. (the "Company")
US \$ 100,000,000
10% Bonds due 1993 (the "Bonds") (EC No 13250)

Notice is hereby given in accordance with Condition 4(B) of the Bonds that the Company has elected to redeem all the outstanding Bonds on November 11, 1991 (the Redemption Date) at a price of 100 1/8% of the principal amount, plus interest due, as provided in the Terms and Conditions of the Bonds and the related Paying Agency Agreement.

Payment of the Redemption Amount, together with the interest due, will be made on or after the Redemption Date against presentation and surrender of the Bonds at the office of the Fiscal and Paying Agent or of any of the Paying Agents listed below. Bonds must be presented for payment together with all unattached Coupons. Bonds and Coupons will become void unless presented for payment within periods of 10 years and 5 years respectively from the Relevant Date as defined by Condition 6 of the Bonds.

Principal Paying Agent: Swiss Bank Corporation, Basle

Payable Agents: Swiss Bank Corporation, London
Société Générale Alsacienne de Banque, Luxembourg
Swiss Bank Corporation (Canada), Toronto

By: Swiss Bank Corporation, Basle
For and on behalf of Norsk Hydro a.s.

September 27, 1991

Notice to Note Holders

FFH 500,000,000

MONTEFIORE FINANCE (OVERSEAS) LIMITED

Guaranteed Floating Rate Notes

1990 - 1991/1992/2001

Pursuant to the condition 7 of the Fiscal Agency Agreement, the new interest rate fixed for the period commencing on December 4th, 1991 (Interest Option Date) and ending on December 4th, 1992 will be determined by the yield to maturity (based on the bid price) of the O.A.T. - 6.50% - maturing on June 25th, 1997, at or about 11 a.m. Paris time, 2 business days prior to the Interest Option Date, plus 60 basis points.

European Indenture Luxembourg S.A. as Fiscal and Principal Paying Agent

Notice to the Holders of

EUROPEAN INVESTMENT BANK

Italian Lira 150 Billion

Floating Rate Notes

Due 1996

Coupon rate, 6 due from 20th September 1991 to 15th March 1992 will be payable from 31st March 1992 at the rate of:

1st 300,234 per Lira 5,000,000 - Nominal

1st 300,234 per Lira 5,000,000 - Nominal

Remainder of Lira 150,000,000,000 - Nominal

Reference Agent Bank

27th September 1991

ENI INTERNATIONAL BANK LIMITED

US \$200,000,000

Guaranteed floating rate notes due 1993

(Incorporated in and irrevocably guaranteed by

Ente Nazionale Idrocarburi)

In accordance with the terms and conditions of the notes, the rate of interest for the interest period 27 September, 1991 to 27 December, 1991 has been fixed at 5 1/4% per annum. Interest payable on 27 December, 1991 will be US\$139.03 per note of US\$10,000.

Agent: Morgan Guaranty Trust Company

JPMorgan

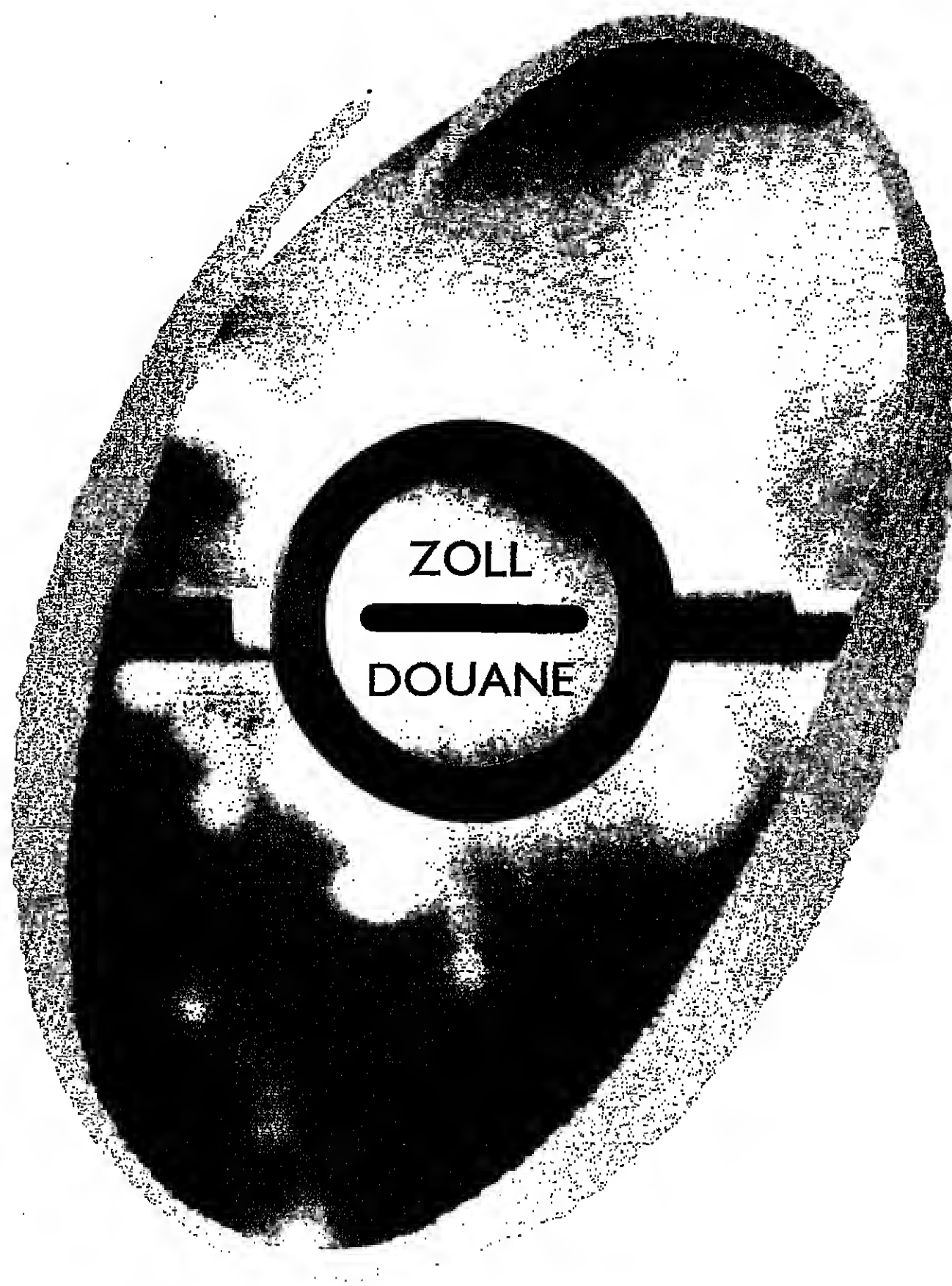
U.S. \$100,000,000
Floating Rate Subordinated Loan Participation
Certificates Due 2000
Issue by

Merrill Lynch Bank AG
(Incorporated in the Federal Republic of Germany with limited liability)
for the purpose of funding and maintaining a subordinated loan to

The Saitama Bank, Ltd.
(Incorporated in Japan with limited liability)
Notice is hereby given that for the Interest Period from September 27, 1991 to December 27, 1991 the Certificates will carry an Interest Rate of 5.825% per annum. The amount of interest payable on December 27, 1991 will be U.S. \$147.24 per U.S. \$10,000 principal amount of Certificates.

By: The Chase Manhattan Bank, N.A.
London, Agent Bank
September 27, 1991

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UK COMPANY NEWS

The £200m UK borrowing facility has been renegotiated after breaching loan covenants

Barratt £106m in red after £84m provisions

By Andrew Taylor, Construction Correspondent

BARRATT DEVELOPMENTS, one of the UK's biggest housebuilders, yesterday announced a £106.5m pre-tax loss for the year to June 30, against profits last time of £30.2m. The company has also renegotiated its £200m UK borrowing facility after breaching its loan covenants.

The losses included provisions of £84m, of which £73m was to cover write-downs in the value of the group's land holdings in southern England and California. In the previous 12 months, the group made pre-tax profits of £30.2m. Sir Lawrie Barratt, who has been brought out of retirement to resume as executive chairman, said the group's priority was to reduce borrowings which had risen steeply during the past three years. It intended to do this without resorting to a rights issue.

The company intends to raise £30m-£40m by selling some of its housing land in the US where it was now in the process of re-organising a £100m (£22.6m) loan facility with its US banks.

Sir Lawrie said that the interest charge on the UK loan facility had risen only slightly following the successful renegotiation with the four English and three Scottish clearing banks.

In a bid to make savings Barratt had, since April, closed unprofitable subsidiaries in the southern England, Los Angeles and Washington DC in the US and in France. About 200 jobs had been cut.

It had also reduced by 20 per

cent its stock of unsold houses and cut by 40 per cent the number of unsold homes it holds as a result of part-exchange deals.

Net debt at the end of June was £159.6m, equivalent to 93 per cent of shareholders' funds. Sir Lawrie said he intended to reduce gearing to below 50 per cent "back to the levels prevailing when I retired in December 1988 when the group made pre-tax profits that year of £61.5m".

He said it was with great sadness he had to report the first pre-tax loss incurred by the group since he founded the business in 1958. As a result, it was decided not to pay a final dividend. The interim distribution of 3.21p would stand.

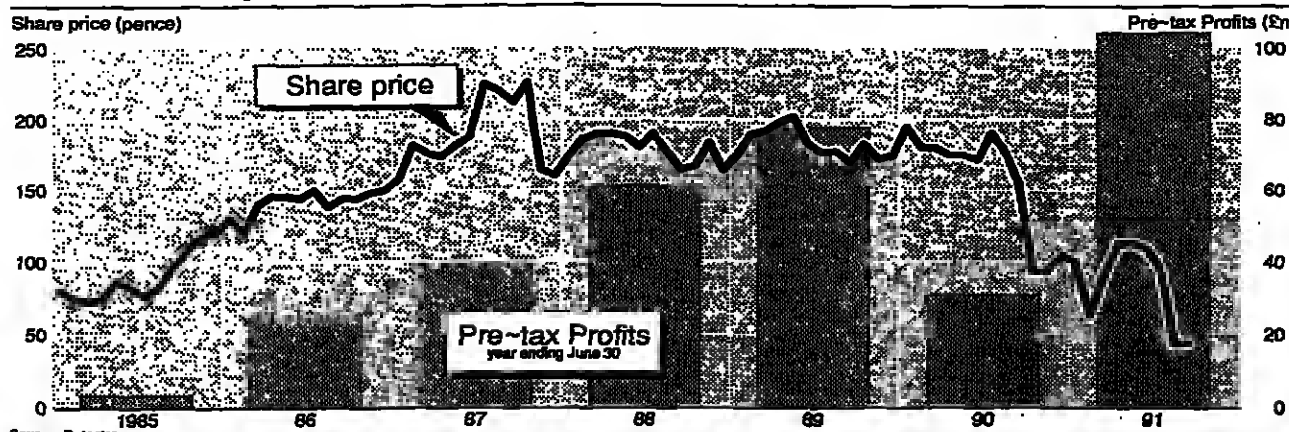
Sir Lawrie blamed previous management for purchasing expensive land in southern England and the US during 1988, 1989 and 1990. He said that falling prices meant the value of this land was now substantially below what the group had paid for it.

Write-downs on individual sites had been as much as 30 per cent.

Sir Lawrie also criticised previous management for failing to control work in progress. Stocks of unsold houses had been excessively high. This was now being corrected by Mr Frank Eaton who replaced Mr John Swanson as chief executive two months ago.

There have been a number of senior management changes since Barratt first revealed the size of its losses at the end of July. Among the latest casual-

Barratt Developments



Correcting previous errors: from left to right, Bob James, group finance director, Sir Lawrie Barratt and Frank Eaton

ties is Mr Mark Frazier, who was asked by the Barratt board to resign as chairman of the US operations. He was replaced this week by Mr Michael Norton.

COMMENT

If anybody is capable of riding the up and downs of the hous-

ing market, it should be Sir Lawrie Barratt. His company has taken on the characteristics of a roller-coaster during the 1980s. The current problems caused by the collapse of housing markets in southern England and California have been compounded by the decision to go on buying land after

the market had peaked. The plan is to reduce debt by selling some sites in California and by building out and swapping sites in southern England. Good housekeeping to keep overheads down will help. The market may have reached bottom in the UK and US but recovery is likely to be slow.

See Observer

AGB plunges £13m into red in second half of last year

By Bronwen Maddox

AGB INTERNATIONAL, the UK's largest market research group and part of publisher Mr Robert Maxwell's constellation of private companies, plunged to a £13m operating loss in the second half of 1990.

The loss compares with a £24m profit for the previous 18 months. Earlier this month, Mr Maxwell cut the top layer of management from the company, fuelling speculation that it was for sale.

The group, which holds the main British Audience Research Bureau contract for UK television audience sampling, has been criticised recently by advertising agencies for unexpected swings in viewing figures since a new audience panel was introduced in August.

Analysts have speculated that Nielsen, the US market

research concern, would be interested in the company. Nielsen fought off AGB's attempts to break into lucrative US audience measurement but failed in turn to wrest the main UK television contract from AGB.

Accounts filed at Companies House show that AGB's central market research businesses incurred an operating loss of £2m before rationalisation costs in the six months to December 1990, compared with a £17.5m profit in the 18 months to June 1990.

The slump occurred even though market research turnover of £73.5m was proportionately higher in that period, over a third of the £207m made in the 18 months.

Losses on recruitment and other professional services businesses were £300,000 (£5.3m profits) and rationalisation of

Australian businesses gave an exceptional charge of £10.5m, which contributed to the overall operating loss of £13.2m.

At December 1990 AGB had net debts including finance lease commitments of £32.5m, a £18m rise in six months. It also had loans from other companies controlled by Headington Holdings, AGB's immediate parent, of £61.7m, up from £23.3m. The accounts say Headington Holdings provided interest-free loans.

The balance sheet shows negative net assets of £1.7m at December 1990, compared to £26.5m assets at June 1990. The accounts have been prepared on a going concern basis because Robert Maxwell Group, another of Mr Maxwell's holding companies, agreed to provide financial support to discharge all liabilities as they fall due.

United Newspapers blames recession for fall to £39m

By Raymond Snoddy

PROFITS AT United Newspapers, the publishing and exhibition group which publishes the Daily and Sunday Express and the Daily Star, fell by nearly a third in the first half of 1991 because of the effects of recession.

Pre-tax profits emerged at £38.6m, against £56.6m. Lord Stevens, chairman, said: "We are not assuming an increase in trading activity in the remaining months of the year, but we do expect to see an overall improvement in the second-half results."

The results were slightly above expectations and the shares rose 14p to 398p.

Turnover at £411.2m, was slightly down on last year's £423.7m, though earnings per share at 11.8p were down by 34 per cent. The interim dividend is maintained at 7.5p.

Lord Stevens said that £13m

had been trimmed from the cost base since the beginning of the year: 18 magazines were sold and 12 closed. Most were small.

The volume of national newspaper advertising was marginally up and the Daily Express and the Daily Star maintained their circulations against a 4 per cent fall in the popular newspaper market.

The Sunday Express fell 6 per cent, 1 per cent worse than the Sunday popular market, before the effects of recent editorial changes.

Reductions in classified and display advertising hit United's regional newspapers but trade shows and exhibitions generally remained strong.

Lord Stevens said that following the end of re-equipment programmes United's capital expenditure was now returning to more normal levels and an

improvement in cash generation would result.

Mr Derek Terrington, of Kleinwort Benson, is forecasting pre-tax profits of £38m for the full year and warned yesterday that United could be slow to come out of recession. Debt would also not be out of the way for another year.

The 32 per cent stake would be in return for a loan of up to £50m (£28.7m) as working capital for Sansui and some management support.

If the Tokyo stock exchange

GROWTH IN its overseas markets and resilient exports as the group focused more strongly on new sectors and new outlets for its products. The speciality chemicals division increased its profits contribution to £8.45m (£7.4m) while building products also saw an improved performance with pre-tax contributions ris-

Provisions will force Sansui to £80m loss

SANSUI ELECTRIC, a subsidiary of Polly Peck International, yesterday said it would report a £18.6m (£80.17m) loss in the first half of the year, following a decision to take provisions on part of the £97.8m in loans extended to Capetronic, its Taiwanese subsidiary.

Sansui said the decision to take provisions was prudent in view of the poor performance of the company, which was purchased from Polly Peck in May 1990 as part of a general restructuring of the two groups' consumer electronics operations in the Far East.

News of the losses took the market by surprise, coming only a day after Mr Michael Jordan of Cork Gully, senior administrator for Polly Peck, presented proposals to the Sansui board under which Sansui shares would be sold to Grande Holdings of Hong Kong, an electronics manufacturer controlled by Mr Stanley Ho, the Macau casino tycoon.

Yesterday Sansui would not comment on the proposals, but it is thought to be cool towards the idea.

Sansui said it expected eventually to be able to recover the lending, but that this would not be until the business of its subsidiaries recovered.

Capetronic, a manufacturer of electronic components bought by Polly Peck in 1988, was a financially strong company until it ran into difficulties last autumn. The merger between the two companies was intended to restore Sansui to profitability in 1990 through dividends remitted from Capetronic.

Before accounting for the bad loan provisions, Sansui reported a pre-tax loss of £13.99m, in spite of increasing sales.

The company said it expected to post a £19m loss for the whole year, although this figure could be lower if Sansui elected to make further bad loan provisions.

Details of the merger plans revealed yesterday suggest that Grande would take a 32 per cent stake in Sansui, the Tokyo-based electronics subsidiary of Polly Peck International, and is seeking permission from the Tokyo stock exchange to raise its stake to 51 per cent before the end of the year.

The 32 per cent stake would be in return for a loan of up to £50m (£28.7m) as working capital for Sansui and some management support.

If the Tokyo stock exchange

Proceedings against Mr Asil Nadir, chairman of Polly Peck International, will be transferred to the Old Bailey on November 7, Bow Street magistrates ruled yesterday.

Mr Nadir, who was remanded on bail of £3.5m until then, faces 18 charges of theft and false accounting involving £25m.

The charges were originally brought against him by the Serious Fraud Office in December last year following a three-month investigation.

The direct transfer to Crown Court takes place under the recently introduced procedure allowing large fraud cases to bypass committal proceedings before a magistrates court.

gives permission for the stake to be raised without the need for a general offer, a joint venture between Grande and Semi Tech, owner of the Singer sewing machine trademark, will acquire a further 19 per cent at about £250 per share.

If that transaction is approved, Sansui's audio products will be marketed through Singer's retail network, which has excess capacity. Semi Tech would also offer Singer's installment payment system to purchasers of Sansui equipment in markets like Mexico and Thailand.

In a separate development, Del Monte Foods of the US yesterday filed a lawsuit in a federal district court in New York, against Polly Peck International and its subsidiaries, alleging breach of contract, unfair competition and infringement of Del Monte's trademark rights.

In September 1989 Polly Peck paid \$75m to acquire the fresh fruit operations of the Del Monte group. The rest of Del Monte, including the processed food business, became a separate independent company last year when it was acquired from RJR Nabisco in a leveraged buy-out by its management and Merrill Lynch, the New York securities house.

Reporting by Steven Butler in Tokyo, Angus Foster in Hong Kong, Alan Friedman in New York and David Barclay and John Mason in London

Yule Catto rises to £9.87m

By Michio Nakamoto

GROWTH IN its overseas markets and resilient exports as the group focused more strongly on new sectors and new outlets for its products. The speciality chemicals division increased its profits contribution to £8.45m (£7.4m) while building products also saw an improved performance with pre-tax contributions ris-

ing to £3.9m (£3.05m). The agriculture and land division, based on the Malaysian plantation, incurred a loss of £5,000 (£367,000 profit) before it was sold.

Earnings per share were up 16 per cent to 7.2p (6.2p) and the interim dividend is raised to 2.3p (2p).

While most banks haven't done a great deal this summer, we've done plenty.

HEYWOOD WILLIAMS GROUP PLC
Successful public offer for
THURGOOD BARDEX PLC

FAIRLEY GROUP plc
has acquired
LASERMIKE INC

CLYDE PUBLISHING
a subsidiary of
UNITED NEWSPAPERS plc
Sold to
DUNFERMLINE PRESS LTD

BUDGENS plc
Placing and Open Offer
to raise £22.5 million

LENNOX INDUSTRIES LTD
a subsidiary of
LENNOX INDUSTRIES INC
has acquired
ENVIRONMENTAL LIMITED

Lloyds Merchant Bank acted as advisers to Heywood Williams Group PLC

Lloyds Merchant Bank acted as advisers to Fairley Group plc


Lloyds Merchant Bank acted as advisers to Budgens plc

Lloyds Merchant Bank acted as advisers to the vendors of Environmental Limited



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U.S.\$800,000,000

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Floating Rate Notes Due 2000

Guaranteed on a subordinated basis
as to payment of Principal and Interest by

The Bank of Tokyo, Ltd.

In accordance with the provisions of the Notes, notice is hereby given that the rate of interest for the three months period 27th September, 1991, to 27th December, 1991, has been fixed at 5.75 per cent per annum. Coupon No.5 will therefore be payable on 27th December, 1991, at US\$ 7.26734 per coupon from Notes of US\$500,000 nominal and US\$ 7.2674 per coupon from Notes of US\$50,000 nominal.

The Bank of Tokyo, Ltd.
London
Agents Bank

27th September, 1991

FRONT RUNNER I SICAV
SOCIÉTÉ D'INVESTISSEMENT À CAPITAL VARIABLE
A COMPARTIMENTS MULTIPLES
R.C. LUXEMBOURG N° 31442
Rue de Neudorf, 672
Fondex

NOTICE OF MEETING

Notice is hereby given to the shareholders of FRONT RUNNER I SICAV that an extraordinary shareholders' meeting shall be held, before noon, at the registered office of the Company, in Fonderie, Rue de Neudorf, 672 on October 3, 1991 at 2.30 p.m. local time with the following agenda:

- 1) Amendment of Article 5 paragraph 8 of the articles of Incorporation of the Company to be read as follows:
- 2) "Shares are available in registered form only. The ownership of shares shall be evidenced by written confirmation. Share certificates shall only be issued upon specific request of the shareholder."
- 3) Deletion of Article 9 paragraph 9 of the articles of Incorporation of the Company.
- 4) Amendment of Article 17 paragraph 8 of the articles of Incorporation of the Company to be read as follows:


"Any request must be filed by such shareholder in irrevocable form at the registered office of the Company in Luxembourg, or at the office of the person or entity designated by the Company as its agent for the repurchase of shares, such request in the case of shares for which a certificate has been issued to be accompanied by that certificate."

4) Repurchase in articles 3, 9 (par. 4-8), 8 (par. 2), 12, 13 par 2, 17 (par 2-3-4-7-8), 15, 16, 21 par 2, 22 par 1 of the word "Fondex" by "SICAV-FRONT RUNNER I".

The resolutions may be passed with a minimum quorum of 50% of the issued shares by a majority of two thirds of the votes cast at the meeting.

The shareholders are asked to attend the meeting as called to vote or give proxies. Proxies should arrive at the Registered Office of the company at least 48 hours before the meeting.

By order of the Board of Directors



Williamson Tea Holdings plc

Chairman's Additional Remarks
Addressing the Annual General Meeting
the Chairman, Mr R B Magor, said:

The Accounts have been in your hands for the statutory period and I would draw your attention to the photographs on the inside of the covers which show the retail range of our Williamson & Magor fine teas on the front and our patent vacuum packing process on the back.

The development of our retail business, Williamson & Magor Fine Teas, continues according to plan and we have recently purchased tea shops in Winchester, Oxford and Salisbury which are already making a contribution and giving us the opportunity of offering the public the very best tea both over the counter and in the cup which should help our promotion in a small way.

You may have seen advertisements on the television for "Extra Fresh Tea" and I would point out that all such vacuum packed teas are grown on our Estates in Assam or Kenya as we are the sole users of this process.

Vacuum packed teas remain entirely fresh for years until repacked in the UK and we believe, therefore, that the use of stale teas should be over and this process should promote the sale of our Group's tea at more rewarding prices.

With regard to the market, world supply and demand is almost in balance. Prices of our Indian teas have been satisfactory but prices of our East African teas continue to be disappointing.

The situation in Assam continues to be very unsettled because of the activities of the United Liberation Front for Assam. I regret there has been no improvement, rather the reverse. The Government of India has declared a State of Emergency, the Army have been called in to take control of the State and I am informed they will take stern measures to fight the terrorists. It is impossible to foretell the outcome of all this but I hope that the situation will at least come under control and that there will be no further murders of hostages.

In July the newly elected Indian Government introduced various economic measures which will be of great assistance to us. Many of the procedures regarding exports will be simplified, which will facilitate the export of our teas. The Government have also introduced a new measure called EXIM scrips (Export/Import scrips) which will be issued to exporters up to a total of 30% of the value of their exports which will enable us to import any item we require or else sell these rights on the Indian Stock Markets.

There can be no doubt that the Indian Government is trying hard to eliminate some of the bureaucratic procedures that hinder the export of tea and this is greatly to be welcomed.

I have just returned from a visit to Kenya and am pleased to report that our estates and business there are progressing satisfactorily. Our subsidiary there is a member of a consortium which is involved in the construction of Williamson House, a twin 5 storey office block in Nairobi, which is scheduled to be completed in December. We will move our offices there and the rest of our floors will be let. It should be a profitable investment.

Our Engineering subsidiary continues to be adversely affected by the recession but we have further streamlined our Automation Division and are currently negotiating contracts which should yield satisfactory margins.

The continuing depreciation of the Indian Rupee will inevitably have an adverse effect on the amount of dividends receivable from our subsidiary there.

We did not receive a dividend from Kenya during the year under review and we do not anticipate an early resumption of outstanding dividends as Kenya is seriously short of foreign exchange.

No dividends have been received from Tanzania since 1978.

The report and accounts were adopted.

UK COMPANY NEWS

Ibstock Johnsen plunges to £7.2m

By Michio Nakamoto

DEPRESSED PRICES and excess capacity in its recession-hit markets slashed pre-tax profits at Ibstock Johnsen, the bricks and forestry products group, from £22.2m to £7.2m in the six months to the end of June.

"These are dire times," commented Mr Ian Maclellan, group managing director.

Ibstock's core brick business was hit by continuing weakness in its main markets, while its forest products division suffered from low pulp prices.

There was nothing to suggest that the full year would be better, Mr Maclellan added. "We cannot align ourselves with politicians who tell us we are coming out of the recession," he said.

The building products division, which is dependent on the severely depressed UK commercial market and the US housing market, suffered both from lower demand and margins because of the combined effects of high stocks and excess capacity.

Profits from building products were halved at £7.51m (£14.9m). In the first half UK brick prices fell by 16 per cent.

In the US the loss increased to £796,000 (£524,000). Housing



Ian Maclellan (left) and Peter Aspdien, finance director

starts in the north east, the primary market, were down by 22 per cent and were expected to be below 1m units in 1991 - the lowest level since statistics were started.

Its European business saw trading profits down to £1.57m (£1.78m).

Promising demand came for its premium brand bricks from Japan.

Pulp business was depressed by the fall in prices and the division reversed into a £566,000 loss (£5.74m profit). Mr Maclellan warned that it would be "over-optimistic" to expect results this year to exceed those of 1990.

There was a continuing oversupply of bricks and he expected the commercial building market to deteriorate further.

Earnings per share fell to 1.97p (6.71p). The interim dividend is maintained at 2.25p on increased capital.

COMMENT

Even in the light of the depressed state of the market for building materials these are sobering figures indeed. The group, which is remarkably straightforward about its problems, is the first to admit that there is little scope for much improvement in the immediate future either in the building materials or pulp operations. There is also a creeping worry that the steps it has taken, commendable as they are, have simply come too late. However, Ibstock is still one of the most successful companies in the bricks business, holding margins at 20 per cent when many of its competitors are making losses. It is financially sound with strong cash flow, high liquidity and low gearing. Full year forecasts of anything from £11m to £14m makes the multiple at 22 to 30 times meaningless. Nevertheless, although the dividend is uncovered, given a maintained 1991 total an 8 per cent yield is not unattractive, while for those of a patient bent the upturn promises more.

McLaughlin Harvey loss up to £4.9m

By Don Farrell

AFTER providing exceptional charges of £4.05m, pre-tax losses at McLaughlin & Harvey increased from £287,500 to £4.9m in the six months to June 30.

The interim dividend is passed.

Mr Charles Denny, chairman of this construction group, said the most immediate consequences of deteriorating trading conditions had been a sharp rise in bad debts and increasing difficulties in getting satisfactory account settlements on completed contracts.

Therefore, £2.8m had been written off construction work in progress and £1.28m provided against bad debts.

He expected some recovery on final settlements but it was difficult to see any short-term improvement in market conditions especially in central London and the south east.

In contrast, trading conditions in Northern Ireland had been relatively good and activity continued at a high level.

Turnover improved to £55.9m (£51.8m), but before exceptional items there was a loss of £845,000 (profit £1m before exceptionals £1.7m).

Losses per share came to 75.5p (1.3p). Last year the interim dividend was 3.25p.

Vickers optimistic on overseas contracts

By Andrew Baxter

VICKERS, the engineering group which yesterday announced a £4.3m pre-tax loss after exceptional items, expressed confidence about future defence contracts overseas.

This followed the award in June of a £530m order from the government to supply the Challenger 2 main battle tank for the British army.

Sir Colin Chandler, managing director, said the market for tanks such as the Challenger was largely in the Gulf, and Vickers was going after a number of opportunities.

The British order was the biggest Vickers had received, and an immense boost to its hopes for further success in export markets. This, the group said, would make a significant contribution to the growth through the 1990s.

The British order was still two years from reaching production, and the real financial impact would come from 1994 to 1997.

The results were dominated by the substantial downturn in demand at Rolls-Royce Motor Cars, but analysts said the performance of the rest of the group was creditable in light of the recession.

Sir David Plaster, chairman and chief executive, said all other main activities were continuing to perform satisfactorily.

In particular the medical division, a world leader in neonatal intensive care products, neurodiagnostic systems and intensive care patient monitoring, was doing better than last year, said Sir David.

Cosworth, the UK high-performance engine company acquired last year, had performed slightly better than in 1990, while results of the marine engineering division were about the same.

Ross Catherall, the aerospace business, was managing successfully the effects of a depressed market for its products.

Bilston & Battersea in red

Bilston & Battersea Enamels tumbled into the red in the first half of 1991 as the Gulf war resulted in fewer overseas customers for its range of hand decorated boxes and clocks, writes Graham Deller.

Sales at this USM-quoted group declined by 27 per cent to £1.61m (£2.2m) leaving pre-tax losses of £52,000 against profits of £222,000. Losses per

share emerged at 0.9p, against earnings of 3.4p and the interim dividend is passed.

The effects of the recession also hit the group with many stockists reducing inventory levels. The workforce was cut and short-term working introduced. The directors said, however, that third quarter sales were showing some improvement.

Travis Perkins falls 60% as margins are slashed

By Peggy Hollinger

TRAVIS PERKINS, the UK's fifth largest builders' merchant, contributed to the generally grim news in the UK construction sector with a 60 per cent drop in interim pre-tax profits to £5.47m.

Mr Tony Travis, chairman, also warned that the second half would "not be much better" than the first six months. "But hopefully it won't be much worse," he added.

Turnover was down 12.5 per cent to £156.1m in both volume and value. The housing slowdown in the Midlands and South-east, where the group is based, had severely affected demand. Travis derives just over 70 per cent of its sales from housing repair, maintenance and improvement.

Mr Travis said the results had been "pretty bad all round". Net operating margins were slashed from 7 per cent to 3.2 per cent and bad debts were £2.5m - about three times higher than in normal conditions.

However, Mr Travis said the group had maintained gross margins at 30 per cent. "It is the only thing we can boast about... It has been a very difficult market," he said. The group's position had stabilised since last year, although there was no sign of any improvement.

"We are concentrating on cutting costs and reducing our stocks," said Mr Travis. The company cut 10 per cent of its staff during the six months.

leaving about 3,600 employees. Some 200 more jobs were expected to go before the end of the year; 12 of the group's 164 branches were closed. Redundancy costs came to between £400,000 and £500,000.

Property disposals brought in £598,000, compared to £751,000 last time. Mr Travis said he hoped these would pick up in the second half.

Earnings per share plunged by 5.3p to 3.8p, but the interim dividend is maintained at 2.5p, a cover of 1.5 times.

COMMENT

Grim, grim and grimmer, said Mr Travis, finding little silver in his particular cloud. In fact, there might be some good news: although the market has declined some 14 per cent, Travis Perkins has seen sales fall just over 12 per cent. Preoccupation with the 1989 merger may also have kept the group from succumbing to the grandiose expansion plans of competitors now struggling with high debt and gearing. Travis Perkins boasts a nil debt position. Cost-cutting is winning praise, although the bad debt position has edged the group's cost base up by about 1 per cent. Forecasts were pushed up a bit to between £12m and £14m after encouraging noises on the property disposal front. The prospective p/e of 23 to 24 looks high, however, and shares are expensive at the moment.

ICL in £200m British Gas deal

British Gas has selected ICL, the UK-based computer company owned by Fujitsu of Japan, as sole supplier of the mainframe computers it uses to service its customers.

The deal is believed to be worth £200m over six years and represents a victory for ICL over International Business Machines of the US.

British Gas has been using mainframe computers supplied by ICL, IBM and Amdahl, the US computer company.

British Gas will begin phasing out IBM and Amdahl mainframes and replacing them with computers supplied by ICL. The computers will control all gas customer services in the UK.

UPL acquisition and refinancing

UPL Group, the former Third Market-listed importer and distributor of specialty foods, is to acquire the Parrish & Penn food distribution agency business, known as The Foodfinders, from Booker.

The acquisition is part of a package of proposals involving a £1.75m refinancing for UPL, a change of name to Dumas Group, and a move to the USM. UPL is paying £5,000 for The Foodfinders equity and has also undertaken to refinance the current liabilities of the operation, amounting to about £1.2m, and to discharge a long-term liability to Booker of up to £250,000.

To finance the deal UPL intends to issue 7m new ordinary 10p shares at 25p, raising about £1.35m after expenses.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corresponding dividend	Total for year	Total last year
Antioch & Co. Int	6	Dec 8	6	12	18
Barclay Daws Int	nil	-	5.79	3.21	8
Shilton & Ball Int	nil	-	1.75	3	3
Clarkson (H) Int	2.75p	Nov 25	2.75	5.50	8
EFM Dragon Ltd Int	0.06	Nov 21	0.06	0.12	-
Elco Int	2.3	-	3.9	6.2	6.2
Frogmore Estate Int	10.8	Nov 15	9.4	20.2	12.3
Hampden House Int	0.2	Nov 27	0.2	0.4	0.2
Hay (Norman) Int	0.5	Nov 14	0.5	1.0	1.14
Ibstock Johnsen Int	2.25p	Dec 2	2.25	4.50	8
McLaughlin & Harvey Int	nil	-	3.25	3.25	10
Murray Ventures Int	8.8	Nov 27	6.1	14.9	25
Redland Int	8.25p	Nov 11	8.25	16.50	25
Thornley Dual Int	3.5	Nov 22	6	9.5	8.75
Trafford Park Int	1.725p	Nov 28	1.725	3.45	2.575
Travis Perkins Int	2.5	Nov 4	2.5	5.0	6
TV-am Int	4	Nov 15	4	8	14
UCL Newspapers Int	7.5	Nov 15	7.5	15.0	21
Vickers Int	3.7	Nov 8	3.7	7.4	9.9
Whitman Int	2.9	Nov 11	2.5	5.4	7.75
Yule Catto Int	2.3	Nov 18	2	4.3	4.7

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issues. *OC capital increased by 10p, and/or acquisition issues. *USM stock. *Carries scrip option.

WORLD ECONOMY

The FT proposes to publish this survey on October 14 1991. It will be of particular interest to the 54% of Chief Executives in Europe's largest companies who read the FT. If you want to reach this important audience, call Time Warner Europe on 071 873 3220 or fax 071 873 9079.

FT SURVEYS

BOARD MEETINGS

TODAY	Interim	Interim
Interco - Aron Energy, Brown & Jackson, Bullers, Burns Anderson, Central Independent Television, Clifform Properties, David Barclay, Hew, Judd (William), Jokers, Parat, Microvision, More O'Ferrall, Wembley, Rennie, Adams, Aronson Ltd, Astra Vega, Boley (Ben) Construction, China & Eastern Int, Dene Exploration, Goetts, London Seas, Pathfinders, Sinclair Goldsmith, Triton Europe, Wiggins.	Hammerston Property, Learson, Lawrence (Walker), Syle, Turris, Allied Leisure, Redman (A), International Report, Overy Estates.	Oct. 11, Sep. 30, Oct. 1, Oct. 1, Oct. 3, Oct. 8, Sep. 30, Oct. 1.

W&A INVESTMENT CORPORATION

Group results for the six months to 30 June 1991

Gearing down and set to decline further
Profit before taxation maintained
Dividends maintained

INCOME STATEMENT	Unaudited 30 June 1991 R'000	Unaudited 30 June 1990* R'000	% Change
Turnover	1 667 273	1 236 493	+ 34.8
Profit before taxation	83 962	84 184	- 0.3
Earnings per share before extraordinary items, diluted (cents)	34.8	36.7	- 5.2
Dividends per ordinary share (cents)	15.5	15.5	-

* The figures for 30 June 1990 have been restated so as to be comparable on a fully diluted basis.

ABRIDGED BALANCE SHEET	Unaudited 30 June 1991 R'000	Audited 31 December 1990 R'000
Permanent capital	1 383 121	1 323 353
Long term liabilities	905 127	942 400
Deferred taxation	17 619	16 276
Total assets	2 305 867	2 282 029
Current liabilities	3 269 545	3 091 243
	963 678	809 214
Number of permanent equity instruments in issue (000)	163 878	163 878
Net asset value per share, diluted (cents)	616.2	595.3
Ratios:		
Gearing (excluding plant revaluation)	59.9%	67.4%
Gearing (including plant revaluation)	43.1%	47.9%
Current ratio	1.5:1	2:1

The balance sheet excludes an independent valuation of plant and equipment on an existing use basis, which valuation discloses an excess of R539.4m over book values.

COMMENT

1. Against the background of deteriorating economies both domestically within South Africa and internationally, the companies in the group performed well and it is pleasing to report profit attributable to the holders of permanent equity instruments of almost R57m for the six months to 30 June 1991. This is more than double the figure of a year ago, and reflects the reorganisation of the group's assets which was effective from 1 July 1990. In this reorganisation W&A Investment Corporation became the holding company for the group's assets with Walcor, PSI Corporation and PS Group becoming pyramid companies.

2. The group's restructuring and an increase in the number of permanent equity instruments in issue in W & A by 118.1% slightly diluted W & A's earnings per share. Earnings per share of 34.8 cents are 5.2% lower than the comparable earnings figure of 36.7 cents for the same period a year ago.

3. The interim dividend has been maintained at 15.5 cents a share.

4. Highlights of the past six months' trading include the completion of the establishment of the JIC consumer finance company mentioned in the 1990 annual report and the acquisitions of Alloy Wheels International and Unit-span Modular Building by our UK based subsidiary, AAF Investment Corporation. In spite of the more difficult trading conditions, most of our companies maintained or increased their market shares. The decline in the margin of operating profit to turnover at 10.3% compared with 11.1% a year ago indicates how competitive trading has been. However, our companies addressed the key issues of overhead efficiencies and working capital management and succeeded in holding their market positions.

5. Net interest paid increased by 64.3% mainly as a result of interest relating to the acquisition of off-shore businesses within AAF and the increase in working capital required to finance the 34.8% higher turnover. It is anticipated that for the full 12 months the level of increase in interest paid will be lower as cash flows through to W & A's subsidiary, J D Group, from the sale of the JD debtors book to a consumer finance company and as a result of the group's lower gearing.

6. The group's gearing, excluding plant revaluation, has declined from 67.4% at 31 December 1990 to 59.9% at 30 June 1991 and on a revalued basis falls from 47.9% to 43.1%. This is considered to be satisfactory as June is the high point of the group's funding. The traditional seasonal decline in borrowings (adjusted for the funding of VAT) will result in a further reduction in gearing by the end of the financial year. Management will continue to give strict attention to asset management.

7. The group's tax rate at 9.4%, while substantially lower than 23.3% of a year ago because of capital allowances effective in certain of our subsidiary companies, is in line with the tax rate of 10.4% which applied for the previous full financial year. It is expected that the group's tax rate will not rise much above the present levels for the next couple of years.

8. As a result of the ongoing investment programme in our businesses and the acquisitions made to expand our core businesses, total assets rose by some R178m. The prime areas of investment were the two AAF acquisitions and increases in our tyre, formwork and scaffolding and hosiery businesses.

PROSPECTS

1. We do not expect trading conditions to improve in the current six months of the financial year and restate the forecast made at our annual general meeting that earnings per share, on a fully diluted basis, for the year ending 31 December 1991 may well be some 10% lower than those achieved in 1990.

2. In line with our stated objectives the group is in the process of finalising certain international alliances. These alliances will assist our companies to accelerate the development of their export markets and ensure that the standards of our businesses remain competitive locally and internationally. In addition these alliances will assist our companies to defend their established markets against competitors likely to enter the South African market place in the new, sanctions-free environment, through supplying our companies with market place technology and providing them with access to proprietary state-of-the-art technology. These strategic moves, which will also have the effect of further reducing gearing, will not affect control of any of the group's core businesses as the group does not plan to dispose of control of any of its core businesses.

3. In the light of the above and the positive longer term outlook for the group, the total dividend for the year will be maintained at 42 cents a share.

Jeff Lieberman
Chairman and chief executive
Johannesburg

20 September 1991

W&A Investment Corporation Limited. Registration number 5201223106

Directors: J M Lieberman (chairman and chief executive), T W Rolfe (deputy chairman), N Cohen (financial director), H Nowitz (divisional chairman), A M Schlesinger (divisional chairman), I D Sussman (divisional chairman), A J Aaron, M Gutkin, P H Jacobson, B E Lieberman, R G Nicholson, S Slom, C W Tutton, S Weintraub



Johannesburg Consolidated Investment Company Limited
(Incorporated in the Republic of South Africa)
Registration Number 01/00428008

ANNUAL GENERAL MEETING
The annual general meeting of the members of Johannesburg Consolidated Investment Company Limited will be held in the board room, Consolidated Building, corner Fox and Harrison Streets, Johannesburg, on Thursday, 24 October, 1991 at 12 noon.

Holders of share warrants to bearer may obtain copies of the annual report from the London Secretaries, Barnato Brothers Limited, 99 Bishopsgate, London EC2M 3JZ.

Barnato Brothers Limited
London Secretaries
26 September 1991

Correction Notice

HMC MORTGAGE NOTES 6 PLC
£140,000,000
Class A
and
£7,000,000
Class B
Mortgage Secured Floating Rate Notes due September 2020
Notice is hereby given that for the interest period from September 19, 1991 to December 19, 1991 the Class A Notes and Class B Notes will carry interest rates of 10.5825% and 11.3125% respectively. The interest payable on the relevant interest payment date, December 19, 1991 for the Class A Notes will be £2,532.30 and for the Class B Notes will be £2,820.38 per £100,000 nominal amount.
By: The Class A and Class B Notes, London, Agent Bank
September 25, 1991

LVMH MOËT HENNESSY . LOUIS VUITTON

STRONG RECOVERY IN THE SECOND QUARTER

Despite a decline in sales during the Gulf war and unfavourable worldwide economic conditions, LVMH's income from operations for the first half of 1991 amounted to FF 2,345 million, slightly ahead of corresponding period in 1990. Following a decrease in the first quarter of the year, consolidated income from operations rose by 20% in the second quarter.

LVMH's consolidated net income for the first six months of 1991 totalled FF 1,220 million, as compared to FF 1,248 million in the first half of 1990.

The slight decrease in first half net income results from an increase in financial expenses related to the purchase of Guinness shares in 1990 and to the Champagne Pommery acquisition in early 1991. The impact of these financial expenses will be relatively less in the second half of the year, due to the seasonality of Guinness's and Pommery's sales and income.

On a comparable structural basis - notably, by giving effect on a pro forma basis from January 1, 1990 to LVMH's 24% stake in Guinness and the acquisition of Pommery - and using constant accounting methods, net income would have increased by 7%.

Taking into account the strong recovery in sales being recorded by Group's various segments, the favorable trade reactions to two newly launched women's perfumes, "Dune" by Christian Dior and "Amarige" by Givenchy, and the stronger exchange rates of the dollar and yen against the French franc in the third quarter of the year, the anticipation of a reasonable increase in LVMH's profits for the year as a whole is confirmed.

By segment of activity, net sales and income from operations developed as follows:

Sales		
In millions of French francs	1991	1990
Champagne & wines	1,951	1,839
Cognac & spirits	2,813	2,454
Luggage & leather goods	2,151	2,180
Perfumes & beauty products	2,051	2,167
Other	298	181
LVMH	9,264	8,821

Income from operations		
In millions of French francs	1991	1990
Champagne & wines	272	328
Cognac & spirits	1,243	1,102
Luggage & leather goods	327	881
Perfumes & beauty products	121	138
Other	(118)	(115)
LVMH	2,345	2,334

A drop in champagne sales in certain recessionary markets, notably the US and UK, affected the segment's first half performance. However, in this segment, over 60% of sales are traditionally generated in the second half of the year.

The cognac profitability increased significantly, thanks to a further increase in the proportion of older quality cognacs, continued sales growth in the Far East, in the recovery of Japanese yen.

By the end of June, sales of the luggage segment had practically recovered from the negative impact of the Gulf war. The strong sales recovery which got underway in the spring continued through the summer.

Sales of perfumes and beauty products, affected by the Gulf crisis, in duty-free outlets, have rebounded in the second quarter, in a recovery which continued through the summer.

In the first six months of the year, Guinness PLC recorded pre-tax income of 350 million pounds up 9% over the corresponding 1990 period.

LVMH, WORLD'S LEADING LUXURY PRODUCTS GROUP

Chargeurs 1991 interim results

	First Half		Year
	1991	1990	1990
Net sales (in FF millions)	5,287	6,105	10,988
Net income (in FF millions)	404	1,539	527
Net earnings per share (FF)	67.11	243.34	84.80

Net sales to 30 June 1991 were down 13.4% from the comparable figures at the end of June 1990. This decline was mainly due to the fall in wool prices, which occurred in February 1991.

Net income was down 73.7%. However, before extraordinary items (capital gains on the sale of the Air Transport segment), net income is an improvement over the 1990 figure.

The upturn in the world wool market which has been experienced since spring 1991, the reorganisation carried out since 1989 by the woolen fabrics division (to be completed by the end of 1991) and the steady increase in BSkyB's satellite television audience, can be considered as favourable factors. These factors allow us to confirm our hope for a significant improvement in the 1992 results.



Chargeurs - 5, boulevard Malesherbes 75008 Paris



DIVIDEND INCREASED BY 5%

The Annual General Meeting of the shareholders of Remy & Associates was held on 19th September 1991. At the meeting presided over by the Chairman Ralph M. Harwood, the Group's accounts for the fiscal year ending 31st March 1991, were approved.

The shareholders also approved the Board's proposal to pay a net dividend of FF 4.20 per share, an increase of 5% over the previous year.

This dividend confirms the policy pursued by Remy & Associates towards shareholders. It also reflects the management's confidence in the Group's future performance. The dividend will be paid on 1st October 1991 to shareholders on the register at 1st October 1991.

REMY & ASSOCIÉS EXPANSION
Shareholders were also informed of the planned merger of Remy & Associates and the champagne houses Krug, Charles Heidsieck, and Piper Heidsieck, Giffredo Hugon, Moët & Chandon and the Group's wines, as well as Louis Roederer, Cuvée des Ducs, Champagne, the specialist House and Louis Roederer. In addition, the new company would encompass the Seguin-Moreau brand-making unit and the worldwide distribution network that has been built up.

Extraordinary General Meetings of the two companies will be held in the coming months to approve the merger. The terms of the merger will be announced at a later date and submitted to the French stock exchange regulatory authorities.
Remy & Associates Financial Department - 6, Rue de la Chapelle 75008 Paris - France

IMI Bank (International)
NOTICE
to the holders of IMI Bank (International) 1,500,000 warrants to purchase ordinary shares of Assicurazioni Generali S.p.A.

IMI Bank (International) unconditionally and irrevocably guaranteed by Istituto Mobiliare Italiano. Notice is hereby given to the holders of the warrants IMI Bank (International) pursuant to Condition 3 (c) of the Terms and Conditions of the warrants IMI Bank (International) that, because of the new structure of capital of Assicurazioni Generali S.p.A. from 1st July 1991, the warrants IMI Bank (International) will be converted into 1,500,000 ordinary shares of the company at the price of 145,000 lire (145,000 lire) per share. The conversion price has been adjusted as follows:

1. Exercise Price before such adjustment: L. 29,755 for share.
2. Exercise Price after such adjustment: L. 34,067 for share.
3. Effective date 2nd September, 1991, September 23, 1991.

By Morgan Guaranty Trust Company of New York, as warrant Agent.

Prices for electricity delivered for the purpose of the electricity supply and distribution in the United Kingdom, in pence per kilowatt hour, excluding VAT.

Period	Pool	Pool	Pool
	price	price	price
	per kWh	per kWh	per kWh
1st half	15.87	17.36	19.87
2nd half	15.87	17.36	19.87
1990	15.87	17.36	19.87
1989	15.87	17.36	19.87
1988	15.87	17.36	19.87
1987	15.87	17.36	19.87
1986	15.87	17.36	19.87
1985	15.87	17.36	19.87
1984	15.87	17.36	19.87
1983	15.87	17.36	19.87
1982	15.87	17.36	19.87
1981	15.87	17.36	19.87
1980	15.87	17.36	19.87
1979	15.87	17.36	19.87
1978	15.87	17.36	19.87
1977	15.87	17.36	19.87
1976	15.87	17.36	19.87
1975	15.87	17.36	19.87
1974	15.87	17.36	19.87
1973	15.87	17.36	19.87
1972	15.87	17.36	19.87
1971	15.87	17.36	19.87
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1958	15.87	17.36	19.87
1957	15.87	17.36	19.87
1956	15.87	17.36	19.87
1955	15.87	17.36	19.87
1954	15.87	17.36	19.87
1953	15.87	17.36	19.87
1952	15.87	17.36	19.87
1951	15.87	17.36	19.87
1950	15.87	17.36	19.87

OMAN

The Financial Times proposes to publish this survey on

November 20th 1991. This survey will look in depth at OMAN and how the country is developing. It will be of particular interest to the 54% of Chief Executives in Europe's largest companies who read the F.T. If you would like to reach this influential audience, call Cliff Croft on 071-873 3269 or Fax 071-873 3079

Data source: Chief Executive in Europe 1990

FT SURVEYS

MITSUBI REAL ESTATE DEVELOPMENT CO., LTD
YEN 50,000,000,000
FLOATING AND FIXED RATE
NOTES 1996

Notice is hereby given that for the interest period from 27th September 1991 to 27th March 1992 the rate of interest will be 6.0125% per annum. The interest payable on the 27th March 1992 will be YEN 303,965 per each YEN 100,000,000 Note.

Agents Bank: The Mitsui Trust and Banking Co., Ltd., London.

UK COMPANY NEWS

Disconnected in his prime

Tim Coone on Michael Smurfit's resignation from Telecom Eireann

MR MICHAEL Smurfit, Ireland's leading industrialist, has had little time in recent weeks to attend to Jefferson Smurfit, his international packaging company, the basis of his fame and fortune.

On his home turf, he has fought but lost the fight to remain chairman of Telecom Eireann following controversy over a property deal involving the state-owned telephone company.

Meanwhile in the UK he remains a key figure in the survival of Brent Walker, the leisure group. Unless the company's advisers can find a tortuous formula to satisfy Mr Smurfit and other bondholders on the one hand and the banks on the other, Brent Walker will shortly end up in the hands of the receivers.

Mr Smurfit resigned from Telecom a bitter man. What is widely regarded as a brilliant business career has now fallen foul of what eventually may prove to have been political skulduggery aimed at Mr Charles Haughey, the prime minister and his government, rather than Mr Smurfit.

Mr Smurfit came into the public sector in 1979, when enlightened government policy began to bring in the best and brightest from the private sector to improve civil service efficiency.

Sticking a hands-on approach to the running of Telecom, which he chaired, he turned around Ireland's telecommunications company from a sprawling and ponderous concern costing the taxpayer £100m-a-year to support, to a profitable dynamic company which last year made a profit of £94m (£88m) profit. It is now regarded as one of Europe's best-run telecommunications companies.

It was controversy over a property deal to build Telecom's new headquarters, though, which ensnared Mr Smurfit.

He resigned earlier this week after Mr Haughey had publicly suggested that Mr Smurfit should temporarily step aside as chairman until an inquiry into the deal was complete.

Mr Smurfit was born in Lancashire 55 years ago and in 1969 became deputy chairman of the family paper and packaging business, which his father had established in Dublin in the 1940s.

He became the driving force behind the group's international expansion after it went public on the Dublin stock exchange in 1964, and which converted the local box-making company into what is now the fifth largest paper and packaging business in the world.

He became group chairman in 1977 following his father's death. Spotting undervalued paper and packaging firms in the UK and US, he bought them, turned them round and greatly increased their value.

His biggest move came in 1986, when with Morgan Stanley, the US merchant bank, he acquired Container Corporation of America (CCA). This led to expansion in Latin America and Europe.

In 1989, Mr Smurfit surprised the financial world, by spearheading a daring restructuring of its US operations, which released almost £10m in cash, and thereby creating a war chest for group expansion, focusing on Europe, in the following decade.

One investment fund manager in Dublin said, "In his core business, he has been brilliant, by knowing his market, spotting opportunities, and



Michael Smurfit: concentrating on Jefferson Smurfit

knowing when to move."

It was those abilities which made Jefferson Smurfit into one of Ireland's most successful companies with an average growth of 30 per cent per year in share value over the past 27 years since the company went public.

It has earned Mr Smurfit an honorary doctorate from the National University of Ireland, a Legion d'Honneur award from the French government, and he has twice been voted "Man of the Year" by Ireland's Business and Finance magazine.

But envy has also accompanied acclaim. Mr Smurfit has perhaps been a victim of what one Irish friend described as a "perverse desire to knock down the successful and those who make a name for themselves."

It was clear from the acres of headlines in the press reports during the past week, that this national sport was again being indulged in Mr Smurfit's case.

He admitted in his resignation statement that he should possibly have been aware of an "historical link" between a

property company UPH, in which he has a 10 per cent stake, and a chain of transaction which led to Telecom's ownership of a construction site for its new headquarters. However, he added: "The fact is that I was not."

That one slip has cost him his chairmanship of Telecom, although he nor his family made any financial gain, or were in any way involved in the site's subsequent sale to Telecom. A government inquiry has been set up to verify this.

Mr Smurfit has also faced criticism for his decision to get involved in Brent Walker. Several years ago, the Smurfit group began a £20m diversification into the leisure industry.

When Brent Walker made a £100m issue of convertible bonds in a refinancing package last year, Mr Smurfit put up £10m of his own money. Jefferson Smurfit bought another £15m, although he abstained from the board vote on the decision.

Brent Walker was to be involved in a joint venture to develop the group's leisure activities in Ireland. Mr Howard Kilroy, president of Jefferson Smurfit, justified the move saying: "It had a sound, healthy balance sheet and a good earnings stream. That was turned out not to be the case."

He added that legal action may be considered in due course if it proved that false information was given in the bond issue.

Referring to the Telecom case, Mr Kilroy said: "We all feel sure at the way he (Mr Smurfit) was treated." Questions are being raised as to whether the government will now be able to find people of Mr Smurfit's business calibre to run state-sector companies and whether the government's privatisation programme will now falter.

Mr Smurfit had a word of warning for his public sector colleagues. "Do not lose hope, and continue to give public service." But he added: "Make sure what happened to me does not happen to you."

As Mr Smurfit returns full-time to the boardroom of Jefferson Smurfit, there is a sense that the cloud under which he has left Telecom, might ultimately rain more on Mr Haughey's opposition calls for more heads to roll in the numerous controversies to have rocked his government in recent weeks.

Eleco margins suffer as profits drop 45%

By Peggy Hollinger

MARGINS AT Eleco Holdings, the building products and distribution company, took a battering from the recession and pre-tax profits fell 45 per cent from £5.58m to £3.35m over the year to June 30.

Operating profits plunged 61 per cent to £1.65m (£4.75m) on turnover down from £63.4m to £56.8m.

Excluding discontinued operations, which were largely Eleco's property development activities, the decline in trading profits would have been 63 per cent.

Eleco aims to complete its programme of property disposals by the end of the current year. About £12m was raised last year, cutting net debt from £26.4m to £14m.

Gearing was too high at 75.5 per cent, but Mr Michael Webster, chief executive, said that the group planned to be totally ungeared within 18 months.

Interest gains jumped sharply to £1.28m (£9,000), the result of a squeeze on working capital and property disposals.

Eleco had performed well in a difficult environment, Mr Webster said. "In our special areas, I think we have performed better than other companies."

Eleco enjoys leading market positions in

several of its niche building product areas, such as nail plates used in timber roofs, and metal casings for power cables.

However, the building products division overall had suffered a 65 per cent decline in profits, due to the sharp squeeze on margins.

The distribution business had performed better than expected, Mr Webster said, with a 17 per cent decline in profits on increased turnover.

Earnings per share fell 46 per cent to 7.3p (13.5p) and the final dividend is cut to 2.3p (3.9p), making a reduced total of 4.6p (8.2p).

The plant manufacturing and efficient control equipment division maintained a reasonable level of business and inquiries.

Administrators called in at Fairbairn
Administrators have been appointed at Fairbairn, the

Trafford Park Estates improves to £3.3m
Trafford Park Estates, the property developer, increased pre-tax profit from £2.07m to £3.3m in the year to June 30.

All interest charges incurred have been written off except in respect of Cambridge Quayside. No developments were started, although since June 30 two minor construction projects were commenced in Trafford Park.

Rental income came to £8.28m (£8.7m); that from warehousing and trading totalled £3.77m (£3.37m), and property sales were £1.88m (£1.47m).

Earnings per share worked through at 3.6p (2.82p). The final dividend is 1.725p for an unchanged total of 2.575p.

amounted to £1.94m (£1.96m) for earnings of 8.41p (8.32p). A proposed final dividend of 3.5p leaves the total for the year unchanged at 8.75p.

Norman Hay profits tumble to £85,000
The recession in the UK at a time when its principal subsidiary was being reorganised resulted in Norman Hay achieving a steep decline in pre-tax profit, from £413,000 to £85,000, in the first half of 1991.

Surface Technology, the principal subsidiary, suffered a sharp reduction in sales and operating losses. Management changes were instigated with a view to cutting the high cost

base and introducing new products and services with greater margins.

The group, involved in electroplating, anodising and injection moulding, achieved sales of £5.57m (£6.38m). Earnings per share were 0.4p (1.8p) and the interim dividend is held at 0.3p.

The plant manufacturing and efficient control equipment division maintained a reasonable level of business and inquiries.

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base and introducing new products and services with greater margins.

UK COMPANY NEWS

Changes on way as Laura Ashley rises to £528,000

By Jane Fuller

Mr. Jim Maxmin has promised to make some sweeping changes at Laura Ashley, the fashion and furnishings group which he has just joined as chief executive.

More professional management techniques will generate more cash, Mr. Maxmin, who was presenting a set of figures that applied to the half-year before he arrived.

Pre-tax profit improved to £252,000 (£217,000) in the six months to July 27. The full year-91 results had shown a £2.7m loss.

Before Mr. Maxmin arrived, Laura Ashley's prospects were dimmed by painful rationalisation, involving 1,500 jobs losses and seven factory closures, the sale of non-core businesses and a £30m cash injection from the Asahi Group of Japan, which was a 15 per cent stake.

The new chief executive said he had set up a task force to review overheads, particularly head offices in the UK, on the continent and in North America. "The main way to reduce cost will be to eliminate activity," he had found the group to be far too complex.

He also envisaged £3m of capital spending on upgrading systems, including the data, bar coding and stock location. "At the moment there are three or four different systems and no

world-wide view." The group, which is controlled by Sir Bernard Ashley, chairman, has just over 500 outlets of which 197 are in the US, 174 in the UK and 60 on the Continent.

It has switched away from making most of its goods in-house. Only 22 per cent are now made in Laura Ashley plants, with a further 25-30 per cent coming from other UK suppliers.

First-half turnover fell to £132.2m (£173.9m), although disposals accounted for nearly £25m of the decline. Operating profit slid to £283,000 from £7.1m, or £5.8m on a comparable basis.

Profits were hit by reduced volumes and low gross margins during the July sales. The performance would have been worse without £5m of operational savings arising from last year's rationalisation.

Interest costs were greatly reduced at £1.4m (£7m). Net debt, which was £38m before the Asahi deal, had come down to £18.4m by July.

Earnings per share were 0.12p (0.02p), after a 43 per cent tax charge. The interim dividend is again passed.

COMMENT

Most of Mr. Maxmin's message was music to the ears. For instance: "We have to get margin out of the sales we have"



Jim Maxmin: promised some sweeping changes

— is the right thing to say about a company that was partly spoilt by a cost-unsoundness drive for sales. The wonderful word "prudence" was also used about future prospects, with Mr. Maxmin budgeting for flat sales over the next 18 months. However, that would already be an improvement after a worrying 12 per cent sales fall in the UK stores, which lost money, and an 11 per cent decline in the US. The question is that after the marketing message — and some of the jargon, such as "over-facilitated", was over the top — will the company really be fixed? At a share price of 87p, the company would have to make £20m pre-tax profit next year to be on the average stores rating of 15 times earnings. As £1m seems all that can be expected this year, there is such a long way to go that prudence suggests it is worth waiting until at least some of the figures speak louder than the words.

Recession blamed for 43% fall at Frogmore

By Roland Rudd

FROGMORE ESTATES, which recently defeated a hostile bid from Southern Property, yesterday announced a 43 per cent fall in taxable profits for the year to end-June 1991.

The decline, from £7.1m to £4m, was blamed on the property recession.

There was an extraordinary charge of £1.8m incurred in the defence against the bid. Mr. David Wilmot, finance director, said: "We feel very aggrieved at having to spend that sort of money defending ourselves against a bid which stood little chance of success."

Profits were struck after providing £2.26m (£3.52m) to reduce the cost of trading properties to their estimated net realisable value.

Below the line there was a £2.56m (£14.1m) net surplus on sale of investment properties.

Last year's £41m borrowings were eliminated through a series of property disposals. Mr. Wilmot said the company was well positioned to make some "opportunistic acquisitions" over the next year.

Some £20m had been invested in low cost housing through a series of joint ventures, taking advantage of reduced land prices.

The final dividend is 10.6p making a total of 12.5p (12.3p). Earnings came to 7.2p (14.5p). Net assets per share fell from 523p to 449p.

Advertising recession hits TV-am as profits decline to £6.7m

By Raymond Snoddy

THE ADVERTISING recession cut pre-tax profits at TV-am to £6.7m in the six months to July 31, compared with £11.6m last time.

Mr. Bruce Gyngell, chairman of the commercial breakfast television company, said it had continued to outperform the rest of ITV in spite of the most difficult trading conditions for many years.

Its share of ITV advertising revenue rose from 4.84 per cent to 5.01 per cent, although actual revenues fell by 3.3 per cent compared with a drop of 6.5 per cent for ITV as a whole.

Turnover totalled £39.6m

(£41.45m). Earnings per share fell to 6.5p (11.1p) but the interim dividend is unchanged at 4p.

Mr. Gyngell said that coverage of the Gulf war, which produced TV-am's highest ever audiences, had increased costs by £1.2m. There also had been a rise in marketing costs and a 21 per cent lift in its subscription to the funding of Channel 4.

"We submitted our application for the new breakfast television licence on May 15, and we remain confident of success," Mr. Gyngell said.

There is, however, a growing expectation in the television

industry that TV-am will be one of the losers when the Independent Television Commission announces new broadcasting licences next month.

TV-am had been outbid by two strong consortia - Sunrise, which included London Weekend Television, The Guardian and Disney; and Daybreak which groups Independent Television News, NBC of the US, Conrad Black and Carlton Communications.

Mr. Gyngell had been looking for alternative outlets if he should lose. There was an approach to offer the TV-am service to Channel 4 but that was declined.

Murray Ventures bucks trend

By Philip Coggan, Personal Finance Editor

MURRAY VENTURES has bucked the bad news trend from investment trusts which specialise in unquoted stocks by announcing a 13 per cent rise in the final dividend and a 12 per cent increase in net assets over the six months to July 31.

The trust has 40 per cent of its portfolio in the quoted sector which helped its recovery, but it also upgraded its unquoted investments by 4 per cent in the second half.

Over the year as a whole, however, net asset value fell 9.2 per cent to 306p per share.

A number of trusts which invest in unquoted stocks have recently announced asset write-downs as a result of the recession's effect on the small company sector. Investors have become suspicious that unquoted stocks are valued on investment trusts' balance sheets at over-optimistic levels.

As a result, trusts in this field stand at substantial discounts to their asset values.

Murray Ventures said, however, that its valuation methods were very conservative and almost match the recent guidelines published by the British Venture Capital Association.

Substantial provisions were made in both July 1990 and January this year.

Revenue before tax for 1990-91 was £3.8m (£3.8m) and earnings per share were 12.04p (11.99p). The final dividend of 6.5p makes a total of 10.3p (9.3p).

Looking ahead, the company said that whilst the unquoted companies are benefiting from the reductions in interest rates, as yet there is little sign of improved trading conditions. However, the worst is over and as the economy continues to pick up so should our unlisted companies.

Horace Clarkson static at £6m for first half

By Nigel Clark

HORACE CLARKSON, a shipping and insurance broker, reported taxable profits for the first half of 1991 slightly lower at £6.14m, against £6.37m.

The comparative figure included a £620,000 profit on shipowning sales and was restated to take account of the purchase of ABCC Holdings.

Tanker and dry cargo shipping rates had been firm during the period and the shipbroking's sale and purchase recovery had benefited from the settlement of the

Gulf conflict.

Demand for Lloyd's names insurance had remained steady.

Mr. Carron Greig, chairman, said that profits were heavily biased towards the first half and although it was too early to determine activity for the second half, full year profits were not expected to be higher than the £7.44m for 1990.

Turnover was £23.9m (£25.1m). Earnings per share came out at 15.7p (16.7p). The interim dividend is unchanged at 2.75p.

World of Leather back in black

World of Leather, the furniture manufacturer, has arrested the losses of the last two years and returned to the black with a pre-tax profit of £1,000 for the first half of 1991.

That stemmed from an improvement in turnover to £13.05m (£12.59m) combined with higher gross margins and tight control of costs. Earnings per share were 0.5p (losses 3.3p).

In the comparative half year the loss was £408,000, rising to £823,000 by the year-end.

Sales in the current term were still ahead and margins remained higher. A store in Leicester had been sold for a "significant" premium.

Interest charges hit Whatman

Turnaround to interest charges resulted in a 13 per cent contraction in interim profits at Whatman, the specialist paper and filtration equipment group.

The Kent-based group incurred net interest charges of £265,000 in the six months to June 30, reflecting capital expenditure last year against income last time of £364,000, leaving taxable profits at £47.7m (£5.02m).

Shares rose 10 per cent to £23.9m (£23.4m). Earnings per share were 12.83p (15p) but the interim dividend is 2.9p (2.5p).

Australian regulations waived for BTR

By Kevin Brown in Sydney

THE AUSTRALIAN Securities Commission has given BTR an exemption from federal corporations law to avoid complicating the group's £1.5bn hostile bid for Hawker Siddeley.

The ASC announced the exemption after BTR agreed to buy out minority shareholders of two Australian subsidiaries of Hawker Siddeley if it secures 20 per cent or more of the group's shares.

Without the exemption, BTR would have risked breaching section 615 of the corporations law, which prevents the indi-

rect acquisition of Australian companies through the purchase of an overseas parent.

Hawker Siddeley owns 70 per cent of Hawker de Havilland, a listed Australian aircraft maker, and 85 per cent of Westinghouse Brake & Signal (Australia), a railway equipment company.

The ASC said BTR or BTR Nylex, the group's Australian subsidiary, would make an offer for all the outstanding shares in both companies within a month of becoming entitled to 20 per cent of

Hawker Siddeley stock.

The offer would have to be in cash or cash and shares, based on valuations by two independent experts acceptable to the ASC, and would have to remain open for three months.

The potential cost of the agreement to BTR or BTR Nylex is unclear, but would probably be less than A\$50m (£23m), based on the companies' market capitalisation.

The agreement would lapse if the BTR bid fails to be declared unconditional within three months, or if the federal

Treasurer uses his powers to prohibit the acquisition of shares. It could also lapse if the Trades Practices Commission or Foreign Investment Review Board intervene under legislation governing competition and foreign investments.

The agreement also covers Hawker Siddeley's 24 per cent holding in Bunnings, a timber and hardware group.

BTR has given an undertaking to vote only 19.9 per cent of the stock, and to acquire no further shares for two years should it succeed in its bid.



Rustenburg Platinum Holdings Limited

Reg. No. 05/22452/06

Lebowa Platinum Mines Limited

Reg. No. 63/06144/06

(Both companies incorporated in the Republic of South Africa)

Highlights from the Chairmen's Reviews

Rustenburg Platinum

Distributable profit for the year was R604 million, the highest ever recorded by the company.

Gross sales revenue increased to R3.43 billion, a 16.4% increase, due mainly to the higher rhodium price achieved and notwithstanding the lower dollar and rand prices received for the other platinum group metals.

Operating profit increased by only 3.8% to R1.52 billion due to the impact of a 23.9% increase in the cost of sales.

An increased final dividend of 225 cents was declared, making a total of 350 cents for the year, an increase of 12.9%.

The precious metals refinery's operations achieved several milestones with regard to output levels.

During 1990 the platinum market moved into surplus for the first time since 1984. Although demand is estimated to have grown to a record 3.66 million ounces, supplies grew to an estimated 3.73 million ounces.

Platinum is trading at levels not seen since January 1986 in current money terms and July 1985 in real terms. Fundamentally demand is firm but market sentiment is weak.

Prices have declined to current low levels in spite of encouraging indications that the US auto industry is looking forward to an improved fourth quarter and that the US economy as a whole is beginning to recover. Reports from Japan indicate an ongoing growth in platinum demand throughout the rest of 1991.

Rustenburg's regular in-depth reviews confirm that platinum will remain the dominant PGM component in the autocatalyst sector.

The JCI Group of platinum producers are the best placed in the industry not only to exploit the opportunities but also to cope with any other developments that might be in store for the industry.

The forty-fifth annual general meeting of Rustenburg Platinum Holdings Limited will be held in Johannesburg on 24 October 1991 at 10h30.

Lebowa Platinum

Gross sales revenue for the year increased by 44% to R111.9 million as a result of a higher volume of metal sales and a dramatic increase in the price of rhodium.

The effect of the higher volume of platinum sold was partially offset by lower prices.

Labour problems caused the mine to fall short of its production target. The adverse impact on unit costs plus the ongoing effect of inflation on working costs and the erosion of metal stocks, caused a 62% increase in the cost of sales to R98.9 million. Profit on metal sales declined by 19% to R14.1 million.

In view of the results and capital commitments no dividend was declared.

Copies of the annual reports and chairmen's reviews may be obtained from the London Secretaries, Barnato Brothers Limited, 99 Bishopsgate, London EC2M 3XE.

The progress made towards the production target of 70,000 tons per month, which should be reached during the last quarter of 1991, has been considerable in the light of the extremely difficult circumstances experienced.

The 100,000 ton per month expansion programme is on budget and due for completion in the last quarter of 1992.

The spread of clean air legislation, the ever increasing allure of the metal in jewellery and the development of new uses, particularly in fuel cells will ensure growing demand for platinum.

The twentieth annual general meeting of Lebowa Platinum Mines Limited will be held in Johannesburg on 24 October 1991 at 09h30.

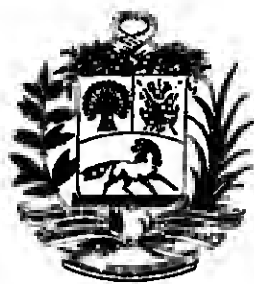
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September 1991



The Republic of Venezuela

U.S. Dollars 150,000,000

9¾ per cent. Notes due 1996

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Dec 2021-2025 3 Dec 2026-2030 4
5pm Prices Change from previous 5pm close
HOW WELL DID YOU JUDGE THE MARKET?

Alcoa 'will not cut aluminium output'

Mr. O'Neill said the industry, like many others, had not been very good at getting a fundamental balance between supply and demand. He was not sure

and one can anticipate metal prices better than 80 cents or 85 cents a lb for a period of 3 or 4 years after the completion of the smelter." Otherwise it would not be a profitable investment.

any case, close to full capacity of the 11 countries that are in full production. Additional output from Iraq and Kuwait could be absorbed by the extra demand ministers expect to

The 23.65m b/d ceiling was arrived at by a complicated calculation and just happens to be the same as the organisation's current output.

Most countries have ignored the 22.3m b/d ceiling which was set in March and reaffirmed at June's meeting, and are currently producing at

The main point of contention at the meeting, however, emerged in the debate over next year's production - particularly in the second and third quarters. Most ministers are pushing for an agreement to return to a deal put in place in July 1990 that set out firm production quotas, but was

Without any agreement, quotas, prices could slide next year when demand turns down. "We're really looking at a serious situation next spring if we don't resolve the problem soon enough and soon enough doesn't mean when prices start crashing," said Mr. Ait. Laosine.

unable to recover even if there was a rapid turnaround in the prospects for the industry.

"We have got a certain percentage of the bottom - it could be between 7 and 15 per cent in some areas - where they simply have to go [off the land]," he said.

Mr Elight's comments follow forecasts by the Australian Bureau of Agricultural and Resource Economics that average prices received by farmers would fall by five per cent this year, following a decline of 13 per cent last year.

Abare said net farm cash

incomes would fall by 24 per cent, following a 35 per cent fall in the last financial year. The net value of farm production, after depreciation costs, is forecast to fall by 74 per cent, following a drop of similar magnitude last year.

The rural sector has been hit by weak prices for a range of commodities including sugar, dairy products and beef. However, the biggest problems have been caused by competition from subsidised wheat exports and the collapse of the wool market because of over-production and falling demand.

where Mr Narasimha Rao, the Indian prime minister hails, are unimoving for the minority government in New Delhi. That explains why domestic supplies were given precedence over exports.

According to industry officials, the rise in yarn prices has to be seen in the context of the runaway inflation in raw cotton prices. Prices of various grades of cotton have increased by 75 to 110 per cent since October 1980. However, it was only in July, when the spinning units were running short of cotton, that the yarn prices

THE BOARD of the London Futures and Options Exchange has approved a proposal to move raw sugar market trading back to the floor after its period of screen trading, reports Reuters.

Earlier this month the London raw sugar futures market decided to support a return to open-outcry trading, just eight months after screen trading had started. Falling volumes had led to a questionnaire being sent to sugar traders in July and a majority backed a return to floor trading.

WORLD COFFEE prices fell yesterday as the International Coffee Organisation talks appeared to be heading to an inconclusive close and rain was forecast for Brazil's coffee growing areas.

London's November robusta contract closed down £12 at \$33.1 a tonne, only £3 above the year's low. New York's December arabica contract fell 3.50 cents a lb at the opening, but in late trading had recovered to trade at 39.10 cents a lb, down 2.20 cents.

At the beginning of this week's talks the markets felt that the Organisation and Colombia for a scheme to retain 10 per cent of their exports might have gained fur-

ther momentum. Between them, Brazil and Colombia have 40 per cent of the market.

However, it does not appear that the retribution proposal has many arsy proponents.

While the talks, and today, delegates believe there could be a recommendation for a one-year extension of the current agreement, which ends in September next year, and the establishment of a working party to look at the prospects of a further agreement.

Reports that some showens had fallen in the coffee growing areas of Brazil after some weeks of drought were seen by traders yesterday as more important than the ICO's lack of progress.

THE EC/US farm trade row over American corn gluten, the animal feed enticement, was finally settled yesterday.

US imports of corn gluten, which under a 1962 agreement within the General Agreement on Tariffs and Trade surrendered the EC tariff-free, had been piling up in Antwerp, Belgium, allegations that they contained more corn-meal than allowed under the accord. The two sides have now agreed that shipments will be limited to 4.5 per cent fat and 28 per cent starch.

Brussels officials say these arcane measurements make it harder for the US to bring in the protein-rich corn gluten that most undercuts EC cereals in the livestock feed market.

Copper prices moved ahead again on the LME yesterday on continued concern over the unrest in Zaïre. Dealers said this week's violence in major copper export Zaïre has stiffened sentiment, although shipments to the physical market do not appear to have been hit yet. News that state-mediated currency devaluation was normal had little impact, as prices were moving up on nearby technical tightness, they said. Cash metal closed at a \$5.50-a-tonne premium to three-month. In contrast aluminium prices closed down after an early rally. Traders said the Reynolds Metals shut-down of the last few days has cut the demand for aluminium.

emitter from December need to be quickly followed by other announcements from other producers if there were to be any impact of the world's surplus on the oversupply of aluminium. Such a move is forecast to rise between 10,000 and 20,000 tonnes today, although one influential trader warned of an even greater increase. Nickel prices have reversed again. Dealers said the market's recent technical bounce was unable to hold three-month metal above the key \$7,500-a-tonne level. Prices are likely to continue lower not least below \$7,470, the recent 18-month low, a real possibility.

Compiled from Reuters

SPOT MARKETS		
Crude oil (per barrel FOB)		+
Dubai	\$17.80-7.85c	
Brant Blend (dated)	\$20.90-1.05	
Brant Blend (Nov)	\$20.70-0.75	
W.T.I. (1 pm oct)	\$22.05-2.15c	+
Oil products		
(NWE prompt delivery per tonne CIF)		+
Premium Gasoline	\$236-241	-2
Gas Oil	\$198-199	-5
Heavy Fuel Oil	\$73-74	-4
Naphtha	\$203-205	-4.1
Petroleum Argus Estimates		
Oilsec		+

SUGAR - <i>London</i> FOKK				(\$ per lb)	
Raw	Close	Previous	High/Low		
Oct	217.00	214.80	218.40	212.00	
Nov	185.00	184.00	185.00	180.00	
Dec	185.00	184.00	185.00	180.00	
Jan	185.00	184.00	185.00	180.00	
Feb	200.00	200.00	197.00	185.00	
White	Close	Previous	High/Low		
Oct	237.00	236.00	237.00	234.00	
Nov	237.00	236.00	238.00	234.00	
Dec	237.00	236.00	238.00	234.00	
Jan	237.00	236.00	238.00	234.00	
Feb	237.00	236.00	238.00	234.00	
Mar	237.00	236.00	238.00	234.00	
Apr	237.00	236.00	238.00	234.00	
May	237.00	236.00	238.00	234.00	
Jun	237.00	236.00	238.00	234.00	
Jul	237.00	236.00	238.00	234.00	
Aug	237.00	236.00	238.00	234.00	
Sep	237.00	236.00	238.00	234.00	
Oct	237.00	236.00	238.00	234.00	
Nov	237.00	236.00	238.00	234.00	
Dec	237.00	236.00	238.00	234.00	

Turnover: Raw 1312 (000) lots of 50 to 100
 White 1198 (000) lots of 50 to 100
 Paris-White (FF) par income: Dec 16

Capellan (US prod try)	114.00	+0.00
Popper (US production)	183.00	+0.00
Lead (US Production)	285.00	+0.00
Lead (US Production market)	14.80	+0.00
The (New York)	256.50	+0.00
Zinc (US Prime Western)	102.00	+0.00
Cattle (live weight)	62.00	+1.00
Pigs (live weight)	107.00	+0.00
Pigs (live weight)	78.90	-3.00
London daily sugar (raw)	324.00	+0.00
London daily sugar (white)	318.00	-3.00
Barley (English feed)	637.00	+0.00
Wheat (US No. 3 yellow)	141.00	-3.00
Maize (US Dark Northern)	237.00	+0.00
Rubber (Nov/yr)	92.00	-0.20
Rubber (Nov/yr)	52.00	-0.20
Rubber (Nov, RSS No 1 Oct)	221.00	+0.00
Coconut oil (Philippines)	\$470.00	+1.00
Palm Oil (Malaysian)	320.00	+0.00
Crude oil (Arabian)	21.00	+0.00
Soyabean "A" index	216.50	+0.00
Corn "A" index	80.10	-0.00
Wheat (US No. 3 yellow)	141.00	-3.00

and a series includes the series 1-2-3-4-5-6-7-8-9-10-11-12-13-14-15-16-17-18-19-20-21-22-23-24-25-26-27-28-29-30-31-32-33-34-35-36-37-38-39-40-41-42-43-44-45-46-47-48-49-50-51-52-53-54-55-56-57-58-59-60-61-62-63-64-65-66-67-68-69-70-71-72-73-74-75-76-77-78-79-80-81-82-83-84-85-86-87-88-89-90-91-92-93-94-95-96-97-98-99-100-101-102-103-104-105-106-107-108-109-110-111-112-113-114-115-116-117-118-119-120-121-122-123-124-125-126-127-128-129-130-131-132-133-134-135-136-137-138-139-140-141-142-143-144-145-146-147-148-149-150-151-152-153-154-155-156-157-158-159-160-161-162-163-164-165-166-167-168-169-170-171-172-173-174-175-176-177-178-179-180-181-182-183-184-185-186-187-188-189-190-191-192-193-194-195-196-197-198-199-200-201-202-203-204-205-206-207-208-209-210-211-212-213-214-215-216-217-218-219-220-221-222-223-224-225-226-227-228-229-230-231-232-233-234-235-236-237-238-239-240-241-242-243-244-245-246-247-248-249-250-251-252-253-254-255-256-257-258-259-260-261-262-263-264-265-266-267-268-269-270-271-272-273-274-275-276-277-278-279-280-281-282-283-284-285-286-287-288-289-290-291-292-293-294-295-296-297-298-299-300-301-302-303-304-305-306-307-308-309-310-311-312-313-314-315-316-317-318-319-320-321-322-323-324-325-326-327-328-329-330-331-332-333-334-335-336-337-338-339-340-341-342-343-344-345-346-347-348-349-350-351-352-353-354-355-356-357-358-359-360-361-362-363-364-365-366-367-368-369-370-371-372-373-374-375-376-377-378-379-380-381-382-383-384-385-386-387-388-389-390-391-392-393-394-395-396-397-398-399-400-401-402-403-404-405-406-407-408-409-410-411-412-413-414-415-416-417-418-419-420-421-422-423-424-425-426-427-428-429-430-431-432-433-434-435-436-437-438-439-440-441-442-443-444-445-446-447-448-449-450-451-452-453-454-455-456-457-458-459-460-461-462-463-464-465-466-467-468-469-470-471-472-473-474-475-476-477-478-479-480-481-482-483-484-485-486-487-488-489-490-491-492-493-494-495-496-497-498-499-500-501-502-503-504-505-506-507-508-509-510-511-512-513-514-515-516-517-518-519-520-521-522-523-524-525-526-527-528-529-530-531-532-533-534-535-536-537-538-539-540-541-542-543-544-545-546-547-548-549-550-551-552-553-554-555-556-557-558-559-560-561-562-563-564-565-566-567-568-569-570-571-572-573-574-575-576-577-578-579-580-581-582-583-584-585-586-587-588-589-590-591-592-593-594-595-596-597-598-599-600-601-602-603-604-605-606-607-608-609-610-611-612-613-614-615-616-617-618-619-620-621-622-623-624-625-626-627-628-629-630-631-632-633-634-635-636-637-638-639-640-641-642-643-644-645-646-647-648-649-650-651-652-653-654-655-656-657-658-659-660-661-662-663-664-665-666-667-668-669-670-671-672-673-674-675-676-677-678-679-680-681-682-683-684-685-686-687-688-689-690-691-692-693-694-695-696-697-698-699-700-701-702-703-704-705-706-707-708-709-710-711-712-713-714-715-716-717-718-719-720-721-722-723-724-725-726-727-728-729-730-731-732-733-734-735-736-737-738-739-740-741-742-743-744-745-746-747-748-749-750-751-752-753-754-755-756-757-758-759-760-761-762-763-764-765-766-767-768-769-770-771-772-773-774-775-776-777-778-779-780-781-782-783-784-785-786-787-788-789-790-791-792-793-794-795-796-797-798-799-800-801-802-803-804-805-806-807-808-809-810-811-812-813-8

CRUDE OIL - SPE				
	Latent	Previous	High/Low	
Nov	20.77	20.73	20.80	
Dec	20.62	20.62	20.65	
Jan	20.31	20.45	20.45	
Feb	20.30	20.30	20.30	
Index	20.67	20.62		
Turnover - 18274 (20348)				
GAS OIL - SPE				
	Class	Previous	High/Low	
Oct	19.25	19.00	20.00	18
Nov	20.02	20.01	20.25	20
Dec	20.02	20.02	20.02	20
Jan	20.03	20.06	20.25	20
Feb	19.50	19.50	19.00	18
Index	19.50	19.50	19.50	18
Apr	17.15	16.75	16.75	17
May	17.25	17.50	17.00	17
Turnover \$200 (\$878) lots of 100 tonnes				

COCOA - London POX			
	Closes	Previous	High
Sep	728	720	730
Oct	750	754	759
Dec	787	781	795
Mar	809	810	813
May	828	830	835
Jul	822	840	840
Dec	870	873	878
Mar	894		898
May	916		911

Turnover: 8049 (0827) lots of 10
 ICCO delivered prices (SDRs per
 metric ton) Sep 25 952.29 (957.62)
 for Sep 28 952.28 (943.57)

COFFEES - London POX			
	Closes	Previous	High
Sep	500	512	500
Nov	522	534	529
Jan	548	595	598
Mar	554	577	577

Turnover: 28,086 (0527) lots of 0
 ICCO indicator (SDRs per 100
 lbs) Sep 28 552.28 (438.29)

<i>£/tonne</i>	LONDON METAL EXCHANGE
	Clean
26	Aluminium, 99.7% purity
78	Cash 1195-5
78	3 months 1194-5
92	Copper, Grade A (¢ per ton)
121	Cash 1260-2
99	3 months 1254-5
98	Lead (¢ per tonne)
3	Cash 300.5-10.5
3	3 months 312.5-20.5
	Nickel (\$ per tonne)
	Cash 7440-50
	3 months 7450-50
	Tin (\$ per tonne)
	Cash 5510-20
	3 months 5525-30
	Zinc, Special High Grade
	Cash 1018-9
	3 months 1039-9
	LSME Closing US\$ rates
	1997-1-12/97

ages 67.51 (37.42)			
POTATOES - London POX			
	Closes	Previous High	
00	Apr 125.0	192.0	125.0
00	Turnover 93 (140) lots of 20 tonnes		
00	SOYABEAN - London POX		
	Closes	Previous High	
Dec	137.00	137.00	137.00
00	Turnover 25 (37) lots of 20 tonnes		
00	FRUGUIT - London POX		
	Closes	Previous High	
Oct	1655	1687	1670
Jan	1713	1717	1721
Apr	1726	1726	1726

Shonne	LONDON BULLION BEARS	
Low	(Prices supplied by N.M.R.)	
123.0	Gold (fine oz) \$ price	
	Close	351.70-352.20
	Opening	352.00-352.40
Shonne	Morning fix	\$52.50
	Afternoon fix	\$51.00
Low	Daily's high	\$52.80-53.10
	Daily's low	\$51.40-51.50
	Loan Ltd. Mean Gold Loan	
	1 month	5.14
	2 months	5.11
	3 months	5.06
	Silver fix	p/m ex
1680	Spot	243.45
1706	3 months	249.80
1715		

#	
0.60	
1.00	
1.20	
1.35	
\$/tonne	
80	
90	
100	
110	
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870	
880	
890	
900	
910	
920	
930	
940	
950	
960	
970	
980	
990	
1000	

	12 months	287.50
Krona		
Low		
	117.60	
	121.00	
	134.00	
	135.90	
Low		
	121.50	
40 (87)		
GOLD COINS		
(Prices supplied by Engel)		
	\$ price	
Krugermund	\$82.00-\$83.00	
Maple leaf	\$82.00-\$83.00	
New Sovereign	\$8.00-\$7.00	
TRADED OPTIONS		
Coffee	Now	

	Close	Previous	High
Oct	105.0	105.0	105.0
Nov	106.5	107.3	106.5
Jan	103.5		103.5
Feb	105.0		104.5
Jan	107.5		107.5

Turnover: 52 (68) lots of 3,250 kg

MONI - London POKE

	Close	Prev.	High
Index	135.29	135.39	135.29
Oct	136.20	136.00	136.50
Nov	136.70	136.40	136.00
Dec	136.90	136.80	137.30

Low	800	26
	550	3
104.0	800	
	Cocoa	Dec
	725	48
	750	35
	775	26
Low	Vol	
136.20	90	
136.70	95	
136.70	113	
	Street Grade	Nov
	2000	
	2050	47

GOLD 100 troy oz.; \$/troy oz.

S equivalent		GOLD 100 troy oz.: \$/troy oz.			
		Close	Previous	High/Low	
203.489		Sep 359.8	362.8	6	0
202.707		Oct 362.8	363.0	362.5	363.5
		Nov 362.4	364.8	0	6
		Dec 354.1	360.5	356.9	363.5
		Feb 357.1	363.4	363.7	366.2
9 Rates (% US\$)		Apr 359.9	362.2	361.5	361.0
months	5.92	Jun 362.9	363.5	364.9	364.7
months	4.08	Aug 360.0	368.3	0	6
		Oct 368.1	371.4	0	6
US cts equiv					
		422.15			
		427.75			

	Close	Previous	High/Low
Oct	359.0	355.6	355.9 / 360.0
Jan	356.0	360.0	360.0 / 353.5
Apr	367.5	364.5	364.5 / 369.5
Jul	371.5	374.8	374.8 / 371.5

(Last Month)

2 equivalent

SILVER 5,000 buy on commodity ex.			
202.75-203.25			
202.50-202.00			
42.50-45.00			
	Close	Previous	High/Low
Sep	416.8	421.7	420.0 / 418.5
Oct	416.0	421.9	422.0 / 415.0
Nov	418.1	424.1	0 / 0
Dec	415.5	428.5	428.0 / 414.0
Jan	417.7	428.8	427.0 / 422.0
Mar	422.9	423.4	425.2 / 421.0
Apr	426.7	427.5	428.5 / 426.5
Jul	431.0	423.2	440.0 / 428.5

4	0	Dec	443.0	454.5	454.0	440.0
3	29					
77	64					
er	Dec	Mar				
25	28					
25	28					
52	51					
HIGH GRADE COPPER 25,000 lbs; cents/lb						
			Close	Previous	High/Low	
		Rep	105.15	110.25	110.00	108.00
		Oct	108.80	108.15	108.00	108.50
		Nov	107.50	107.50	107.50	107.50
		Dec	106.50	106.68	106.00	106.00
		Jan	105.10	105.45	105.50	105.00
		Feb	104.25			0
		Mar	103.80	103.95	103.80	103.80
		Apr	102.80			0
					77.50	77.50

CRUDE OIL (Light) 42,000 US galls/barrrel				
	Latest	Previous	High/Low	
Nov	22.09	22.21	22.25	22.02
Dec	21.99	22.10	22.15	21.92
Jan	21.99	22.05	22.10	21.78
Feb	21.92	21.74	21.75	21.82
Mar	21.67	21.50	21.53	21.41
Apr	21.67	21.58	21.60	21.50
May	21.20	21.25	21.30	21.20
Jun	21.20	21.05	21.00	20.85
Jul	20.90	21.00	20.90	20.85
Aug	20.90	21.00	20.90	20.85

HEATING OIL 42,000 US galls, cwt/Lus				
	Latest	Previous	High/Low	
Oct	6276	6300	6355	6285
Nov	6316	6480	6480	6380
Dec	6395	6480	6480	6310
Jan	6395	6452	6470	6300
Feb	6395	6452	6470	6300
Mar	6145	6160	6200	6140
Apr	5810	5835	5850	5700
May	5770	5770	5770	5670
Jun	5670	5685	5670	5670
Jul	5600	5635	5615	5515

COOKED RICE (medium)/tonnes				
Oct	6276	6300	6355	6285
Nov	6316	6480	6480	6380
Dec	6395	6480	6480	6310
Jan	6395	6452	6470	6300
Feb	6395	6452	6470	6300
Mar	6145	6160	6200	6140
Apr	5810	5835	5850	5700
May	5770	5770	5770	5670
Jun	5670	5685	5670	5670
Jul	5600	5635	5615	5515

Dec	1223	1223	1234	1238
Mar	1273	1273	1285	1290
May	1305	1307	1318	1282
Jul	1321	1328	6	6
Sep	1333	1335	6	6
Dec	1380	1381	1378	1376
Mar	1424	1425	1418	1400
May	1447	1448	0	6
Jul	1472	1474	6	0

COFFEE "C" 37,500/cb cents/ib

	Close	Previous	High/Low
Dec	86.35	81.20	86.76
Mar	82.75	84.58	82.90
May	84.85	86.50	85.00
Jul	87.10	87.50	86.50
Sep	100.00	102.00	0
Dec	103.25	105.00	0

SUGAR WORLD "11" 112,000/cb cents/ib

	Close	Previous	High/Low
Oct	3.97	3.47	3.94
Mar	3.29	3.14	3.23
May	1.10	0.05	1.10
Jul	3.05	3.03	3.05
Oct	3.34	3.92	3.95
COTTON \$0.00/cwt/lbs			
	Close	Previous	High/Low
Oct	62.82	62.87	63.30
Dec	64.30	65.09	65.81
Mar	64.30	67.10	67.32
May	67.12	67.50	67.50
Jul	67.53	67.53	68.42
Oct	66.40	66.44	66.42
Mar	66.40	66.40	66.40
May	67.12	67.50	68.30
Jul	67.12	67.50	68.30
ORANGE JUICE \$5.00/lbs; cwt/lbs			
	Close	Previous	High/Low

Jan	124.25	123.50	124.25	122.10
Mar	124.90	124.76	124.90	122.50
May	126.00	126.50	124.50	124.00
Jul	126.00	126.00	0	0
Sep	126.00	125.80	0	0

INDEXES				
MINISTERS (Base: September 18 1951 = 100)				
	Sep 26	Sep 26	month ago	yr. ago
	1851.7	1850.8	1851.1	1785.6
DOW JONES (Base: Dec. 31 1924 = 100)				
	Sep 26	Sep 24	month ago	yr. ago
Spot	118.14	117.84	117.88	120.11

Chicago

BOYABEANS 5,000 lb. min. cont./bbl. bushels

	Close	Previous	High/Low
Nov	585.00	590.00	591.04 585.00
Dec	589.00	591.00	591.10 589.00
Mar	605.04	610.00	611.02 605.04
May	616.02	617.00	618.02 612.00
Jul	620.00	622.04	623.00 617.00
Aug	624.00	624.04	619.00 615.00
Sep	588.00	590.00	590.00 587.00
Nov	562.02	562.00	552.04 556.00

BOYABEAN OIL 60,000 lbs. cont./bbl.

	Close	Previous	High/Low
Oct	20.20	20.00	20.65 20.17
Dec	20.58	21.07	21.02 20.45
Mar	21.07	21.24	21.20 20.70
May	21.07	21.00	21.03 21.00
Jul	21.20	21.80	22.10 21.30
Aug	21.60	22.25	22.16 21.60
Sep	21.70	22.20	22.10 21.70
Oct	21.88	22.35	22.30 21.85
Sep	21.80	22.30	22.30 21.80

BOYABANE MIMAL 100 tons: \$/ton				
	Close	Previous	High/Low	
Oct	100.7	101.1	101.5	100.3
Dec	100.8	100.8	101.8	100.3
Jan	100.7	100.2	101.3	100.8
Feb	100.7	100.4	100.9	100.5
May	100.2	100.1	100.2	101.0
Jul	101.1	101.1	102.0	100.0
Aug	100.0	100.0	101.0	100.0
Sep	100.2	100.0	100.8	100.0
Oct	100.0	100.0	100.0	100.0

MACZE 5,000 bu mix: cents/50lb bushel				
	Close	Previous	High/Low	
Dec	2454	2472	2490	2452
Jan	2450	2502	2500	2506
May	2500	2500	2500	2506
Jul	2500	2500	2500	2510
Sep	2500	2500	2500	2500

WHEAT 5,900 bu mtr; cents/900-bushel				
	Close	Previous	High/Low	
Dec	305 1/8	327 1/2	329 1/2	323 3/4
Mar	330 1/2	330 1/2	335 1/4	327 1/2
May	335 1/4	341 1/4	345 1/4	332 1/4
Jul	330 1/4	330 1/4	331 1/4	325 1/4
Sep	316 1/4	315 1/8	319 1/4	314 1/4
LIVE CATTLE 40,000 lbs; cents/lbs				
	Close	Previous	High/Low	
Oct	74 5/8	74 1/4	75 1/2	74 1/8
Dec	71 1/8	74 1/2	75 1/2	71 1/8
Feb	74 5/8	76 1/2	77 1/2	74 1/2
Apr	75 3/8	75 1/2	76 1/2	78 00
Jun	73 1/8	72 1/2	72 1/2	72 1/8
Aug	70 7/8	70 7/8	70 5/8	70 1/8
Oct	71 1/8	71 7/8	72 00	71 7/8

	Close	Previous	High/Low
Oct	45.05	46.00	46.10
Dec	45.90	45.40	45.87
Feb	44.50	44.40	44.55
Apr	42.20	42.25	42.23
Jun	40.60	40.55	40.65
Jul	40.72	40.67	40.72
Aug	40.25	40.15	40.20
Oct	41.55	41.55	41.60
			0

POREK SELLERS 40,000 lbs. cents/lb

	Close	Previous	High/Low
Feb	48.90	47.90	48.90
Mar	48.62	47.12	48.60
May	48.45	48.12	48.45

VENEZUELA: AN OIL ECONOMY

Friday September 27 1991



Venezuelans have swallowed some bitter economic medicine in the past two years to make

the most of their enormous natural resources. Privatisation of state assets continues apace, but the final outcome is hard to predict, writes Damian Fraser

Reform at a risky pace

VENEZUELA'S economy is booming again. After a fierce recession in 1989, the economy grew by 5.3 per cent last year; this year it should grow by another 6 to 7 per cent. Confidence among foreign and Venezuelan investors appears buoyant. International reserves are above \$13bn, and the current-account surplus is likely to be \$3bn this year. While hardly believing it is true, many talk about a "new" Venezuela and the permanence of the current economic reforms.

Two and a half years ago, when Carlos Andrés Pérez was elected president, few would have thought this possible. The country was virtually bankrupt, with just \$300m in foreign reserves, a current account deficit of \$5.8bn, and a budget deficit of 9.5 per cent of GDP.

Mr Pérez, while president in the 1970s, had ranked as one of Latin America's most populist and interventionist leaders, even by the continent's impressive standards. His party, Acción Democrática (AD), the labour unions, the bureaucracy and many businessmen appeared addicted to state largesse and patronage. Most of the country seemed to believe that the Venezuelan state was so rich, thanks to oil revenues, that it need not change.

But change it did. Shortly after returning to power President Pérez, with full backing from the International Monetary Fund and World Bank, immediately removed price

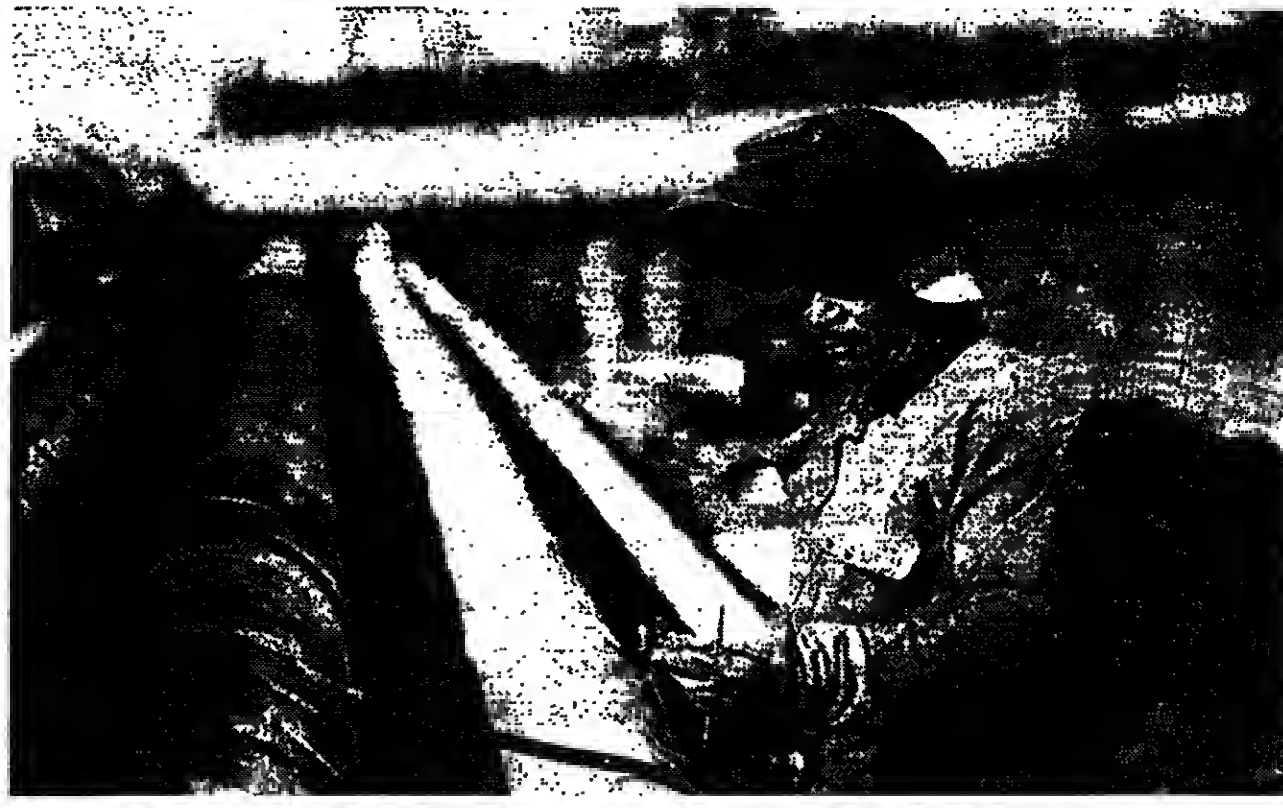
controls, unified and freed the exchange rate, abolished import licences, committed Venezuela to a steady reduction in tariffs, raised interest rates, cut spending, and welcomed foreign investment.

In 1990 and 1991 his government started, rather hesitantly, the painful and slow task of restructuring the public sector, through deregulation and privatisation. The government has already privatised three banks and a cellular telephone network; this year the national airline, Viasa, the telephone company, CANTV, seven sugar mills, and a shipyard should be sold.

Government ministries have been streamlined, and the ports will be transferred to regional authorities and run by private companies. The shipping sector, steel company, and electricity power companies are all being restructured. Social spending is being targeted at the poor through schools and hospitals, and indirect subsidies scrapped.

And, not least, the government last year finally reached an accord with its creditors that led to a \$1.9bn cut in principal on the roughly \$200m of debt owed to commercial banks, and a \$500m saving on interest payments.

The harsh medicine led to riots in February 1989, in which 300 people died; in 1989 the economy slumped by 8.6 per cent, the worst recession in living memory. But since then, it has rebounded remarkably fast, and looks set to grow by at least 6 per cent in the next couple of years. Inflation, meanwhile, has continued to fall, albeit slowly, from 81 per cent in 1989 to 36.5 per cent last year. This year it should be around 25 per cent to 30 per cent.



Pipe-line welding: with 60bn barrels of proven oil reserves the country should flourish in the next few decades

Impressive as the changes are, doubts remain. The first centres on Mr Pérez, even though, as almost everyone in Venezuela agrees, the programme could not have been implemented without him.

No-one questions that the president has changed his views since the 1970s. According to one cabinet colleague, Mr Pérez has become vehemently opposed to all forms of price controls. Likewise, the president, says the cabinet

minister, has become "the biggest free trader I have ever seen", often returning from obscure countries with a free-trade pact in his pocket.

But unlike, say, Mexico's president, Carlos Salinas de Gortari, Mr Pérez, according to colleagues, remains suspicious of the private sector, and his ability to invigorate Venezuela's economy. His former private secretary, Julio Camino, reports that Mr Pérez has two faces, populist and liberal, but the "balance of the faces is populist".

Mr Pérez has thus so far refused to contemplate the privatisation of the steel, aluminium and oil industries. More dangerously, his government has recently embarked on a large increase in public-sector investment, without first securing the necessary increase in tax revenues. This year public sector investment should reach Bs (Bolívars) 547.2 bn (\$10.13bn), roughly a 20 per cent increase in real terms on investment last year, thanks to big increases in spending on social programmes, infrastructure works, and public companies.

PDVSA, the giant state oil company, will spend the lion's share of the money. This year it should spend some Bs 201bn

(\$4bn) in the next six years around \$34bn. It thereby hopes to increase production to 3.5m barrels of oil per day, from the current 2.34m b/d.

Such investment is perhaps at odds with the government's professed desire to create a diversified economy, less dependent on oil. Unless Congress passes the tax-reform Bill before it, it also threatens the economic stabilisation plan.

Worryingly, even investment

Whether his successor, if less adroit or less committed, will have similar political success after the 1993 elections is another question. The reform process could well fall foul of opposition in Congress. A reversal of some reforms cannot be entirely ruled out.

That at least is a view prevalent in Venezuela, but there are some signs that the power of the old party stalwarts is sliding. One indication is the

President Pérez is said to have both a populist and a liberal face; but the latter is the more important

in the non-oil exporting sector is being steered by the government through so-called mega-projects - huge joint public and private sector investments selected by the government - mainly in aluminium, petrochemicals, paper and pulp. This too suggests that the visible hand of the state will continue to play a big part in Venezuela's economy.

Congressmen from Mr Pérez's party will certainly egg him on in his statist instincts. For Mr Pérez has so far pushed his economic reforms through Congress against the wishes of his own party.

current spats of corruption scandals, involving the military, ex-president Jaime Lusinchi and his inner circle, labour leaders and close associates of Mr Pérez. The allegations, while not particularly remarkable by Venezuelan standards, are notable for the speed and aggressiveness with which they are being pursued, suggesting a growing dissatisfaction with the old, corrupt ways of Venezuela's political system.

The political parties are steadily losing power in more obvious ways. The AD has in the past couple of years lost most of the important gov-

IN THIS SURVEY

FINANCE: a helter-skelter stock exchange

PROFILE: President Pérez

REFINERIES: \$10bn expansion programme

PDVSA: the state oil company

PETROCHEMICALS: rescued from disaster

EXPLORATION: lighter oil sought

COAL: green light for large-scale growth

PROFILE: PDVSA's president, Andrés Sosa Pietri

NATURAL GAS: Oil majors join the search

norships to opposition parties. The state governors and city mayors are now elected directly, rather than being appointed; in the party primaries for these posts, the party stalwarts lost heavily.

Soon, state assemblies and up to a half of national Congressmen will be directly elected, and not, as now, picked by party headquarters, further weakening the traditionalist corporatist structures in the two main parties.

The danger is that Venezuela will become increasingly difficult to govern as the old political system crumbles. This is a particular concern in view of the unpopularity of the economic reform programme, and its failure, so far, to raise the living standards of the majority of Venezuelans. In the past months there have been scattered protests and riots.

Mr Pérez, nevertheless, appears determined to consolidate his economic reforms in time for the next election. Accordingly, his administration has recently sent Congress legislation that will strengthen the independence of the central bank. His government wants to share the proceeds from the proposed value added tax, also before Congress, with the states, who will then become responsible for major parts of health and education spending. By 1993 many key industries - such as telecommunications, ports, public utilities - should be in private hands or management.

If Mr Pérez manages all these reforms, and there is no big outbreak of public opposition, then Venezuela's economy should flourish in the next few decades. For a country with 60bn barrels of proven oil reserves, huge quantities of coal, iron ore, bauxite, hydroelectric power, fertile land and easy access to the US, anything else would be a failure.



A time of exciting change: Venezuelans converse in Plaza Bolívar, the main square of Caracas

The first results of reform are promising, writes Damian Fraser

Economy bounces back after a sharp recession

VENEZUELA is now in the third year of its economic reform programme, and after a sharp recession in 1989, the effects have been remarkably positive.

The worst of the economic imbalances have been removed. The public sector deficit was reduced from 9.4 per cent of GDP in 1989 to a 1.3 per cent in 1990. Last year, admittedly with the help of higher oil revenues, the government ran a budget surplus of 1 per cent of GDP; this year the government is promising a balanced budget.

The current account deficit, thanks to an overvalued exchange rate, ran to \$5.8bn in 1989 (roughly 10 per cent of GDP), but swung into a surplus of \$3.2bn in 1990; this year, with lower oil prices, it should be around \$2bn, according to Mr Pedro Rosas, vice-minister of the planning ministry. International reserves, just \$300m when President Pérez took office, have risen to some \$13bn (from \$10bn in 1990).

Meanwhile, the economy has rebounded from the depths of the 1989 recession (when GDP fell by an unprecedented 8.6 per cent). Last year growth was 5.3 per cent; this year the government reckons it will reach 6 to 7 per cent. Unemployment, while difficult to judge, also seems to be falling; from 10 per cent at the end of last year, to 8.5 per cent today.

The cloud on the horizon is the inflation rate and the level of public sector spending. Inflation has fallen more slowly than the government would have liked - this year, according to Dr. Rosas, it should be close to 25 per cent. In part this is due to continued increases in government spending; the government has met its budget deficit targets through increased revenues, rather than lower spending.

In any other country this would not matter too much. Venezuela would imply greater tax proceeds. The dampening effect on consumer spending would largely offset the boost to domestic demand given by greater government spending.

In Venezuela, however, some two-thirds of government revenues comes from oil receipts; these have financed most of the increase in public spending. So, although the public sector deficit, compared with other countries, is small, the near doubling in consolidated government expenditures from 1989 to 1991 has not been matched by an increase in non-oil tax revenues, or private-sector saving. Domestic demand has thus shot up.

The government is now thinking rather belatedly of ways, beyond merely keeping interest rates high, of ensuring that domestic demand is not at the mercy of the changes in Venezuela's oil revenues.

To start with, the government is now trying to re-implement an oil contingency fund, where revenues from oil above a pre-set target price are put untouched into a fund (denominated in dollars); the fund is drawn down when the oil price falls below target.

Such a fund was established last year, but did not work too successfully. Of the \$3.5bn in windfall oil profits earned in 1990, the government spent some \$2bn in paying off international commercial banks (as a result of the Brady debt deal); most of the rest was spent by PDVSA to pay taxes, or finance its increase in investment.

The government would now like to pass a law that will guarantee that all money from oil above an official target will go to the fund, which cannot be touched by the government

or PDVSA. Second, the planning ministry is investing in a new "integrated information system", which tells exactly when the government is handing out money and to whom. That way the central bank can immediately offset the impact of government spending on the money supply by selling government bonds at the moment government disbursements are handed out.

Finally, the administration is pushing for fiscal reform, which it hopes will enable a bigger slice of government revenues to come from direct and indirect taxes.

The new tax Bill, passed in July, will lead to a reduction in corporate and personal taxes from the current rate of 50 per cent to 30.

The Bill does not eliminate many of the myriad tax exemptions that currently are allowed. Nor did Congress agree to a new value-added Bill. In the next few months Congress will vote on the VAT Bill again. If it is passed, government revenues will increase automatically as the economy grows. At present, direct and indirect personal or corporate taxes account for just 3 per cent of government revenues.

While the government has been slow to act on reforming the tax laws, its record on trade reform has been much more impressive. Until 1989, imports required a special licence, which was granted on condition that domestic producers did not object. If successful, imports frequently would still face prohibitive tariffs. However most, but not all imports, could be brought in at the official exchange rate, some 110 per cent overvalued.

Exporters, on the other hand, were penalised by having to surrender foreign exchange at the official rate; but they were compensated by

fairly ad-hoc export subsidies, cheap credit and currency retention schemes.

In a recent report the World Bank concluded the trade system "was so complex that it is impossible to determine its beneficiaries from a priori theory. These programmes lead to distortions and widespread corruption. The industrial sector during the 1980s is a story of weak growth, diminishing productivity, low capacity utilisation and reduced investment."

The government has now abandoned these schemes. The exchange rates are unified and free to float; export subsidies have been removed; import licences for most products scrapped; tariffs are being reduced on a staggered basis, starting with a maximum of 80 per cent in 1989 and falling to 20 per cent after 1992. Most indirect subsidies to businesses have been eliminated.

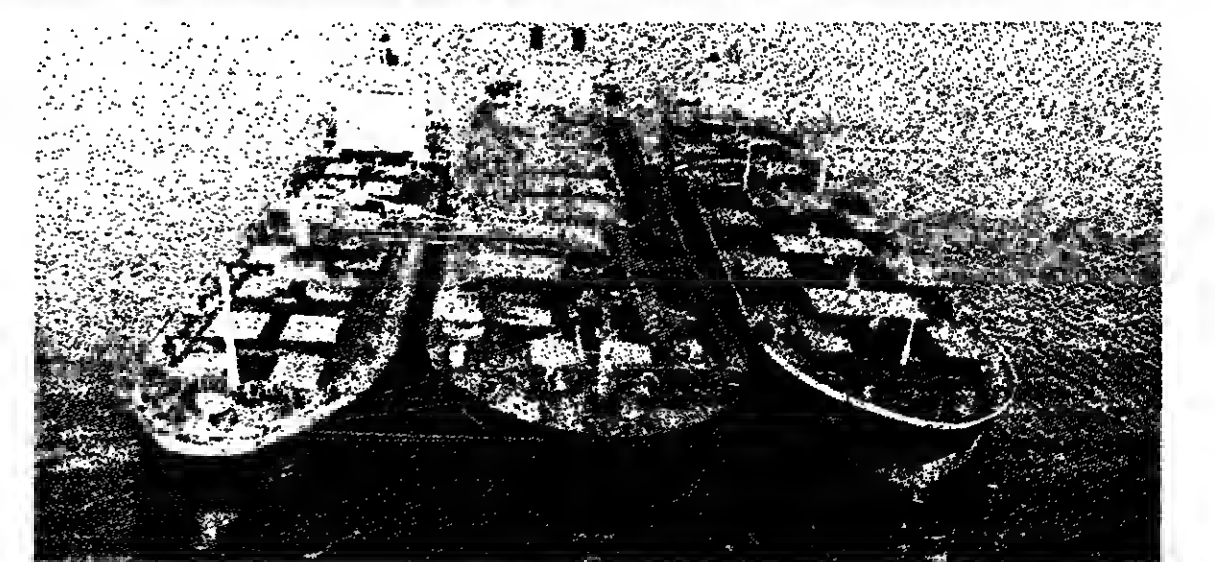
Venezuela's structural reform has in the past two years been profound, more so in many ways than Mexico's, with which it is often compared. Venezuela, for example, has scrapped almost all price controls. Mexico still relies on them to control inflation.

Venezuela is opening up its agricultural sector to market forces and international prices, while Mexico's maize sector is closed to foreign competition and subject to outdated agrarian reform laws. In Venezuela, unlike Mexico, the government has opened up oil to foreign equity investment.

However the Venezuelan state is still much more involved in heavy industries than Mexico's. Venezuela's economic ministry and its president still seem insufficiently committed to reducing inflation. Venezuela's public spending is not yet under control. All this could still lead to the programme's undoing.

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VENEZUELA: AN OIL ECONOMY 2

Gary Mead on the pressures for radical reform

High finance on the high wire

MUCH of Venezuela's economy is pushing back the barriers to competition and foreign investment. But its financial sector is still subject to the wild volatility which made the 13 year old Caracas stock exchange the world's largest riser in 1990, after having lost 35 per cent in US dollar terms in 1989.

In the course of last year the Caracas index soared by 610 per cent in US dollar terms and by 720 per cent in bolivares. Total market capitalisation doubled, to more than \$7bn.

The instability points to the urgent need for radical reforms. According to Mr Oscar Garcia Mendez, president of Banco Venezolano de Crédito, the current Venezuelan laws on banking "are highly complicated and discourage competition. Our national banks in general have still not made the necessary adjustments and will in the future have substantial problems unless they reform themselves".

One crucial reform in this sector is Decree 727, passed in January 1990. It permitted foreign purchases and sales of Venezuelan shares without prior approval. The decree is believed to have been one reason why the Caracas bourse performed so well last year.

Another reason was the repatriation by individual investors of some of Venezuela's estimated \$50bn from overseas. They wanted the money to enter the market created by high-yield 90 day zero-coupon bonds issued to siphon off liquidity created by the steep devaluation in 1989. Mr Ralph von Specht, a Caracas-based investment banker, thinks that up to \$3bn flight capital may have been repatriated last year.

But despite Decree 727, there are still important restrictions, imposed in 1974, against foreign investment in banks, insurance and security service companies and in companies engaged in basic industries such as oil, steel and iron. Foreign holdings in such industries and companies are still restricted to a maximum of 20 per cent.

Added to capital gains taxes

of 50 per cent - there are plans to reduce this to 30 per cent - Venezuela still lacks a positive financial climate to offset its political insecurity.

Foreign companies have been deterred from entering some mining areas by capital gains tax of more than 60 per cent. This heavy tax burden is set to be reduced and the whole highly complex corporate tax system simplified, if Congress finally agrees to pass a tax reform package which will include for the first time a value added tax.

Probably one of the more important indicators of change in the economy was the establishment in October 1990 of CONAPRI, the Consejo Nacional de Promoción de Inversiones (National Council for Investment Promotion), a mixed government-private sector entity.

CONAPRI's main function is to provide services to investors already in Venezuela. But it has other roles, particularly to lobby for a wide range of economic liberalisation laws.

According to senior CONAPRI official, the present government is working fast to make the country highly attractive for overseas investors. "I think if a group of wise people were asked to form the best cabinet possible, they would not choose one much different from today's".

The most important development is the proposed reform of the national financial system, currently under consideration in Congress. It proposes to open up Venezuela's banking sector to considerably increased foreign competition; to tighten accounting norms and give greater teeth to regulatory authorities; to place much greater restrictions on deposit/loan levels; and to tidy up the structure of the financial market place. New banks will be required to establish a minimum capital base of Bs 1.5bn, and all existing banks will be required "substantially" to increase their capital base. Current banking law permits loans up to 20 times a bank's reserves.

But for some politicians and inefficient local banks the most

sensitive reform is that which promises to allow the operation of foreign banks. It proposes that within five years of the law's passage all foreign banks will be allowed to operate in Venezuela on exactly the same basis as local banks.

Foreign capital interested in owning Venezuelan banks rather than setting up local branches of overseas banks will be permitted to take an initial 20 per cent of local banks, and 100 per cent control subject to government approval.

However, the government is aware that liberalisation of a banking system, particularly in Latin America, can be a mixed blessing. Officials fear that traffickers in neighbouring Colombia might seek to benefit from Venezuela's bank reforms. Mr Jose Rodriguez Aznar, vice-president of the central bank, promised at the start of July this year that foreign investors interested in buying shares in Venezuelan banks will not find it a simple matter. "It is not sufficient to have the capital and to fulfil the formal requirements", he said.

Gary Mead describes the ideological rebirth of President Carlos Andres Pérez

Socialist who changed his clothes

VENEZUELA'S contemporary political scene is like a Chinese dish which tastes exactly opposite to what one expects. Since 1989 Venezuela has had a president who, in the 1970s, supported quasi-socialist state control, but who in his second (and constitutionally last) term of office has embraced market economics.

Carlos Andrés Pérez has changed direction against the wishes of most of his own political party, the social democratic Acción Democrática (AD), in Congress.

Like Carlos Menem in Argentina, Pérez took office amidst nationwide protests - which left about 1500 dead - and near economic collapse. Both leaders defied their political supporters to push through emergency economic measures.

Pérez had an added reason for being able to resist the dictates of his party: since he is prevented from running for the presidency again by Venezuela's constitution he does not depend on it for reelection.

Many officials inside Venezuela believe that the apparent radical change in his policies springs from his highly pragmatic nature. Economic reform is also the international vogue and success will help to secure him a place in history.

Like the Argentine leader, President Pérez has produced an unexpected and spicy dish; and the meal is far from over. Since 1989 a political consensus has developed between the pro-Pérez faction of the AD and the main opposition Christian Democratic Comité de Organización Política Electoral Independiente (COPEI). But there is some fear that if the reforms do not produce all-round improved living standards, a charismatic old-style politician could return to power when the next presidential elections are held in 1993.

Long-term expatriate residents in the business community, are impressed not only by the speed of Venezuela's economic reforms but the political will to continue those reforms. Mr John Warner, president of the American chamber of commerce in Caracas and local chief executive of Helix, compares the situation with that of Chile. "Pinochet took much longer to change the Chilean economy than this government, a genuine bona fide democracy, has done to change Venezuela's", he says. For Mr Warner the main threat would be the return of a populist president and Congress, but he regards it as "the small probability of a large risk".



Pérez leading from the front

including an "open skies" policy allowing any of the five nations to fly without restrictions to any of the others.

In 1990, Venezuela joined the GATT. For Mr Mendoza, "the most important thing is that, for the first time, the private sector has begun to believe in the permanence of these changes".

Nevertheless, a populist backlash has begun to develop led by Mr Rafael Caldera, Venezuela's president between 1989-94 and a founder of the COPEI. Mr Caldera has yet to formalise his break with the COPEI, but is expected to do so in the next few months.

Mr Eduardo Fernández, secretary general of the COPEI, is currently running ahead in the opinion polls against Pérez, old-guard AD supporters and Mr Caldera. But the COPEI split might so weaken the party that a revanchist sector of the AD, opposed to the President's reform programmes and dependent on the traditional allies of the AD - the CTV or Confederación de Trabajadores de Venezuela, the country's largest union federation - might secure power on a mandate to reverse the reform programme.

However, the most likely focus for such an AD-led anti-reform, anti-Pérez policy is the previous president, Mr Jaime

Lasini. But his reputation has been badly damaged both by the economic mess he left behind and the mounting allegations of corruption in his last days in office.

At present, Mr Eduardo Fernández is the political leader most favoured to win the presidency next time around. His closest aides promise that, if anything, Mr Fernández would go even further down the privatisation road than Pérez. "In particular, Fernández would privatise the CVG heavy industry complex in Guayana; Pérez wouldn't dare do that", said Mr Anibal Romero, one of Mr Fernández's chief advisers.

The Fernández programme, according to Mr Romero, differs from that of Pérez only in terms of degree and commitment. "Pérez was forced to begin a process which was highly contrary to his own inner convictions - if he has any", said Mr Romero. Thus the Fernández wing of COPEI suggests it aims to improve education, health and other basic social provisions by removing elements of them from state control.

"One of the great things about the Pérez experience is that it has shown us the critical areas for change," said Mr Romero.



Airline passenger's view of Caracas: an oil-rich capital with soaring ambitions and a wish to join the ideological mainstream

Joseph Mann on the strategy of a \$10bn growth programme

The refineries are the key

VENEZUELA already owns and operates one of the world's largest petroleum refining complexes, plans to invest \$10bn in domestic and international refining plants over the next five years.

These investments are motivated by several factors. New capacity in refining and exports represents a key element in the company's long-term strategy of capturing a larger share of petroleum markets in Europe and the US.

PDVSA is increasing its home refining capacity and strengthening its market presence abroad by upgrading and expanding its existing refining plants, and by acquiring equity stakes (that is, buying market share) in established oil refining and distribution systems in America and Europe.

The company has said it plans to invest about \$2bn in its overseas refineries over the next few years, not including what it may spend on new acquisitions. Through its German partner Veba Oel, PDVSA recently acquired an interest in a 200,000 barrel per day (b/d) refinery in Schwedt, formerly owned by the East German government.

Last year it also acquired a 50 per cent interest in a US refinery in New Jersey.

Moreover, PDVSA wishes to export a high percentage of refined products, rather than crude oil, and will need more domestic refining capacity to handle greater volumes of crude - especially heavy oils - that it will produce in coming years.

At the same time, some new investments will be aimed at increasing the volume of high-value export products coming

out of its home refineries. Last year, PDVSA's six domestic refineries processed an average of 917,000 b/d of crude oil, generating a wide range of products that includes gasoline, kerosene, naphtha, distillates, residual fuel oil and specialty products. Most of these refined products were exported.

Overseas, PDVSA owns two refineries in the US, holds equity positions in nine others located in Europe and America, and leases another in Curaçao.

With Veba Oel it is an equal partner in Ruhr Oel; it also has a 50 per cent stake in Sweden's Nynas Petroleum (Nesty Oy) holds the remaining 50 per cent. PDVSA owns extensive oil storage facilities in the Caribbean and leases a refinery in Curaçao.

In 1990, PDVSA had domestic and international sales totaling more than \$23bn. The company has oil refining and distribution assets in the US, Germany, Sweden and Belgium.

Mr Armas, backed by President Pérez, issued a directive

that constrained the company's autonomy in areas such as domestic or international indebtedness, the acquisition of overseas assets and senior appointments.

After a series of intense meetings the directive was withdrawn in return for a pledge by PDVSA's leadership to improve the flow of information to the Minister and to consult over major financial decisions.

PDVSA has sizeable international interests. It is the sole owner of Citgo Petroleum in the US and it holds a half-interest in another American company, Uno-Ven, in partnership with Unocal.

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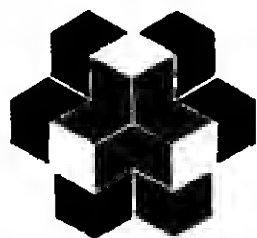
joint-venture refining projects, especially in heavy oil. So far, the most likely prospects for an association in heavy petroleum seem to be Veba and Amoco, according to government officials.

While Venezuela's heavy crude is much less valuable - and more difficult to process - than light and medium crudes from the Middle East, PDVSA is trying to market it in terms of strategic advantage.

A European or American oil company that links up with PDVSA in a deep conversion refinery will face high initial capital costs, but will be assured of long-term access to Venezuela's huge proved oil reserves.

The Venezuelans also point out that they are not subject to the political instability endemic to the Middle East, and thus can be counted on as a reliable supplier (especially to clients who are also their business partners) in times of conflict.

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Company profile: PETROLEOS DE VENEZUELA

A well-packed portfolio

VENEZUELA, which has been an important petroleum producer and exporter for decades, is moving ahead with an ambitious development programme designed dramatically to expand its presence in the world energy market.

The Venezuelan national oil company, Petroleos de Venezuela, S.A. (PDVSA), this year began implementing a five-year expansion programme calling for total investments of \$48bn.

These planned investments, some of which are already under way, include:

- Exploration \$1.7bn
- Production of crude oil and natural gas \$14.2bn
- Oil refining \$10bn
- Petrochemicals \$5.7bn
- International investments \$4.5bn

• Orimulsion (a new fuel that is an emulsion of bitumen and water) \$2.5bn
- Liquefied natural gas (LNG) \$2.5bn
- Oil tankers \$1.4bn
- Coal \$1.9bn

Domestic market \$900m
Other investments \$700m
Of the \$48bn total, PDVSA expects to make direct investments of approximately \$34bn. The company hopes to raise the remaining \$14bn from

joint-venture projects between PDVSA and foreign partners, as well as from commercial loans, project financing and other sources.

Company officials say that the imported component of the plan stands at around 40 per cent of total outlays. These investments reflect policies developed by PDVSA and its owner, the Venezuelan government, that foresee large increases in production and exports of Venezuelan petroleum throughout the 1990s; increased investments in oil refining and distribution systems in the US, Europe and other areas; and major expansions in the production and export of natural gas, petrochemicals and coal.

Steady output increases in oil and natural gas stand in contrast to Venezuela's earlier policy, developed during the late 1970s, of depending on high international oil prices.

PDVSA's independence from political interference was seriously challenged last month during a brief confrontation between its president, Mr Andrés Bosa Piñeri, and the Minister of Energy and Mines, Mr Celestino Armas.

Mr Armas, backed by President Pérez, issued a directive

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Joseph Mann

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VENEZUELA: AN OIL ECONOMY 3

The State-owned petrochemicals company is no longer a disaster area, writes Joseph Mann

When a change is as good as a rest

FOR many years, Venezuela's state-owned petrochemical sector was viewed as a prime example of government mismanagement.

The State-owned Venezuelan Petrochemical Institute (IVP) accumulated hundreds of millions of dollars in losses during the 1970s. The company was plagued by plant breakdowns, scandals and rampant political interference.

In 1977, the Venezuelan government decided to give full control of the IVP to the national oil company, Petróleos de Venezuela, S.A. (PDVSA). The old petrochemical company was converted into a new PDVSA subsidiary, Pequiven, and began a long process of reforms and improvements under a new management team.

By 1983, Pequiven had converted its industrial plants into an efficient operation, and began generating net profits. Pequiven's story is out as an example of successful government management in a region where State-owned companies often are financial disasters.

Pequiven today is a profitable, well-managed company. Last year it posted net earnings of \$37m on turnover of \$380m.

Production at Pequiven's own plants in 1990 was 2.5m tonnes, while other plants where it is an equity partner produced another 1.1m tonnes of petrochemicals, plus other petrochemical facilities in the US and Europe, but production figures given here

cover only its plants on Venezuelan soil. Pequiven operates three petrochemical complexes in Venezuela, and has an aromatics (BTX) plant located at an oil refinery called El Palito.

The company's exports last year totalled \$72.1m, up from \$63.4m in 1989. Pequiven currently is in the midst of a major expansion programme. It plans investments of \$5.7bn through 1996 to raise national petrochemical production capacity from the present level of nearly 4m tonnes per year to 14m tonnes per annum. These capacity figures include plants fully owned by Pequiven, plus joint ventures between Pequiven and private investors.

The strategy is to make use of Venezuela's abundant reserves of natural gas (more than 3.4 trillion cubic metres) as the raw material for a broad range of petrochemical products, most of which will be exported.

If all the elements in the current expansion scheme are implemented, Pequiven will build more than 30 new plants to produce a dizzying array of plastics, industrial chemicals, fertilisers and other items. In addition, it is expanding several existing facilities.

Pequiven's development plan lays special stress on new capacity for producing oxygenates, that is, compounds such as MTBE (methyl tertiary-butyl ether) that are used to boost octane in motor gasoline. The demand for oxygenates is growing briskly as environmental regulations in the US and Europe call for the progressive elimination of lead, which was traditionally used as an octane booster but which is a major air pollutant.

Some of the new plants Pequiven plans to erect — either alone or in partnership with private companies — are: methanol; MTBE; propylene; ethylene; low-density polyethylene; styrene; PVC; ammonia; urea; sulphuric acid; caustic soda; chlorine; ethylene oxide, and a variety of specialty products.

Negotiations are already advanced with foreign investors for some of these joint-venture projects. Pequiven officials said. Foreign partners expected to be involved in these projects are Combustion Engineering (US); Ecofuel (Italy); Repsol (Spain); and Japanese investors.

The government is considering the approval of a total of \$611m in debt-equity swaps to finance several large petro-



An exploration team in eastern Venezuela: in search of new feedstock for fuel and by-products

chemical projects worth \$2.6bn.

In June, a group of international banks led by Citicorp arranged two swaps for Pequiven totalling \$343m. The company will apply these funds to the financing of two plants it is building with its own resources: a \$428m olefins facility and a \$392m chlorine and caustic soda plant.

Currently, Pequiven and international partners are building several other new

plants. At the Zulia complex in western Venezuela, Pequiven, Mitsui and Venezuelan investors are completing work on a 70,000 tonnes per year polypropylene plant. And at a nearby site, Pequiven, Olin, the International Finance Corp. and Corimon, a Venezuelan concern, are building a plant to make ethylene oxide (16,000 tonnes) and ethylene glycol (66,000 tonnes).

In March of this year,

Pequiven and Ecofuel, a unit of Italy's national oil company, ENI, put into operation a \$297m facility to produce 500,000 tonnes a year of MTBE in eastern Venezuela. At the same time, Ecofuel announced it would build a \$380m facility to make methanol (670,000 tonnes per year) at the same site.

On its own, Pequiven is currently erecting facilities for producing olefins, caustic soda

and chlorine, and is completing infrastructure work at its petrochemical complex at Anzoategui, in the east. It is also expanding capacity at three other facilities.

Pequiven's ambitious \$5.7bn expansion plan calls for more than \$2bn in direct investments to be made by the company, plus financing from joint venture partners and other sources.

Pequiven's president, Mr. Hugo Finol, estimated that around 60 per cent of funding for the 1991-96 plan would come from private investors (both international and Venezuelan), as well as from supplier credits, debt-equity swaps and other sources.

Pequiven's interest in joint ventures with foreign partners is not based solely on financial considerations. The Venezuelan company also wants to gain access to advanced technology, and to obtain the help of foreign partners in marketing Venezuelan petrochemicals internationally.

Pequiven's investment programme seems generally well conceived. However, some of its projects may have to be stretched out beyond 1996 since Pequiven's owner, PDVSA, is also carrying out a massive investment scheme.

This means that over the next few years, there will be heavy competition for financing to cover a large number of projects in the oil and petrochemical sectors, as well as competition for specialised services (such as certain types of engineering), skilled workers and capital goods.

Under the current government, which took office in early 1989, Pequiven has made real progress on turning projects into reality. But some of Pequiven's big projects have been under discussion for four or five years, and the government only recently took action on long-promised debt-equity swaps for the petrochemical sector.

Much to Pequiven's regret, official foot-dragging on the swap programme has turned off some potential investors. For example, Norsk Hydro, which planned to invest in a large ammonia project with Pequiven, reportedly withdrew to June. The company apparently got tired of waiting for action on swaps, and for a final decision on a project that has been under discussion for several years.

Some analysts worry that Venezuela's big push in petrochemical exports will face stiff competition, especially since Saudi Arabia and other oil producers are also making big capacity increases in petrochemicals. However, Pequiven officials say they are confident that Venezuela's comparative advantages will allow it to compete effectively, even under tight market conditions.

EXPLORATION AND OUTPUT

A thirst for lighter oils

VENEZUELA'S national oil company, PDVSA, is making a big push to increase its proved reserves of crude oil and its crude production capacity as part of a plan to gain a healthier share of the world petroleum market.

The company's goals in this area are:

- to add more than 9bn barrels of crude oil to its reserves over the next five years through exploration for "new" oil and by developing additional reserves from existing oilfields;

- to raise crude oil production potential to 3.5m-3.6m barrels per day (b/d).

These activities will require substantial investments: \$1.7bn for exploration and \$16.2bn for production.

PDVSA produced an average of 2.48m b/d of crude oil

Venezuela has the west's largest proven reserves of crude — but they are for the most part heavy oils

(including condensates and natural gas liquids) during the first four months of this year, and the company's production potential now stands at more than 2.8m b/d.

The goal of increasing output capacity by more than 25 per cent over the next five years is a formidable challenge, requiring extensive exploration to replace oil that is being produced, and production maintenance to keep the wells flowing, even in old fields.

Venezuela has 26,531 wells capable of producing oil; of this total, 12,172 were active at the end of 1990.

PDVSA currently has the largest proved reserves of crude oil in the Western Hemisphere: 60.1bn barrels. But since the bulk of the country's reserves is made up of heavy oils, the company's exploratory efforts will be directed at finding new deposits of light and medium crude.

Most of the exploratory work is being carried out in the eastern states of Monagas and Anzoategui; Lake Maracaibo; the Andean flank south of the lake; the Petia sector of Zulia state; and Guárico state.

Exploration work alone is expected to yield 5bn barrels of additional light and medium oil reserves by the end of 1996, while investments in existing oil fields should allow the company to tap another 4bn barrels of crude.

Since many of Venezuela's oilfields have been producing for several decades, PDVSA must invest heavily each year in the production sector in order to maintain output at desired levels.

Investments of this type typically involve drilling new wells to advance production areas in existing fields; repairs and overhaul of active wells; and secondary recovery techniques, such as reinjection of water and gas into oil structures to maintain subterranean pressure.

PDVSA's production plans through 1996 call for drilling 7,500 advance and development wells (in existing oilfields); carrying out more than 10,000 well repairs and workovers; adding 120m cubic metres per day of gas compression capacity (for reinjection into deposits); and making investments in a range

of other production-related activities.

Both production and exploratory work will require considerable assistance from oil service companies outside Venezuela. Like other international oil companies, PDVSA relies on specialised companies to carry out many of these tasks.

Aside from PDVSA's direct investments in exploration and production, the company is also seeking foreign investment in these upstream activities for the first time since Venezuela's oil industry was nationalised in 1976.

Earlier this year, PDVSA asked for international oil companies to bid on contracts to operate 46 inactive oilfields.

These fields can produce up to several thousand barrels per day each, but PDVSA believes they are uneconomical to operate for a company of its size.

PDVSA is interested in signing up foreign concerns as contractors to operate the fields, probably paying the operators a fee per barrel produced. Many companies have expressed interest in the plan, but PDVSA has not yet announced any decision.

The Venezuelan oil company also has discussed the possibility of allowing foreign companies to invest directly in exploration, as opposed to working for PDVSA as a paid service contractor.

Foreign executives approached by PDVSA say that there has been no progress in this area.

PDVSA proposes to assign new exploratory zones to foreign companies, who would take the risk of making all necessary investments. (PDVSA is reserving traditional, less risky exploratory sectors for itself.)

If oil is discovered, the foreign investor could receive a share of future production or some kind of payment. However, this and other important

The president who nationalised the industry in 1976 is urging foreign companies to reinvest

points remain unclear.

PDVSA will proceed cautiously in approving any foreign investment in oil exploration and production, since these areas are still a highly-charged nationalist issue in Venezuela.

Ironically, President Carlos Andrés Pérez had nationalised the Venezuelan oil industry back in 1976, during his first term of office.

Today, President Pérez's administration is trying to convince foreign oil companies to invest again in Venezuelan petroleum.

A test case involving foreign investment in the oil and gas sector is now awaiting action by the Venezuelan Congress. If, as expected, the Congress approves a \$3bn natural gas venture, in which PDVSA and three international companies are partners, this should open the door to additional foreign investment in the petroleum sector.

The legislature is scheduled to decide on the project, which involves investments by Exxon, Royal Dutch/Shell and Mitsubishi, in the early autumn.

Joseph Mann



Petróleos de Venezuela, S.A. (PDV), is the parent company of one of the world's most solid and profitable energy organizations. PDV and its subsidiaries, as well as associated companies, have activities and commercial interests not only in Venezuela but also in the United States, the Caribbean and Europe.

Backed by over 75 years of technical, managerial and commercial experience in the petroleum sector, the PDV Group's interests are now widely diversified, including natural gas, petrochemicals, coal and bitumen.

Development strategy during the next few years will center on increasing crude production and refining capacity; expanding activities in the petrochemical sector within Venezuela together with private capital, both national and foreign; raising production in the coal sector, also through joint ventures; marketing of Orimulsión™, a new bitumen-based boiler fuel; and consolidating PDV's presence abroad through refining and marketing activities.

The PDV Group already has a large refining capacity, both in Venezuela and overseas, allowing it to process 80 per cent of the petroleum produced by its three oil operating companies and to market value-added products rather than crude oil.

Approximately seven out of every eight barrels of oil produced in Venezuela are sold on the international market, either as crude or products. With customers in North America, Europe, South and Central America, the Caribbean, Japan and elsewhere, PDV's operating subsidiaries offer a wide range of crude, high quality petroleum products and proven reliability of supply.



PETROLEOS DE VENEZUELA, S.A.
and its subsidiary companies

For more information about PDV and its activities, please write to Petróleos de Venezuela, S.A., Apartado 169, Caracas 1010-A, Venezuela, or contact the Public Affairs Department (58-2) 708.4708, Fax (58-2) 708.4661/62, Telex 21890/23489/24477-PDVSA VC.

VENEZUELA: AN OIL ECONOMY 4

Joseph Mann on why an oil country wants to produce more coal

Energy producers seek a healthier balance

VENEZUELA is best known internationally for its petroleum industry. But this South American republic also has large reserves of steam coal, and recently initiated a programme to raise coal production from the current level of just over 1.5m tonnes per annum (tpa) to around 20m tpa by the year 2000.

This programme forms part of the long-term plans of Venezuela's national oil company, PDVSA, to expand and diversify its exports.

Venezuela's most important coal deposits lie in the Guasare basin, located in Zulia state, near the Colombian border. Mr Luis Urdaneta, president of Carbozulia, PDVSA's coal subsidiary, said that the Guasare basin has proven coal reserves of 353m tonnes, identified reserves of over 2m tonnes and hypothetical reserves of more than 6m tonnes.

Guasare coal is "premium quality steam coal with high volatility and thermal values, and low sulphur content", according to the Carbozulia executive. Most coal in the Guasare fields can be extracted via surface mining techniques, he added.

Successive governments in Venezuela have been talking about large-scale commercial exploitation of the Guasare fields since the mid-1970s. But until now, relatively little has been done. In the past, delays in developing Guasare's substantial coal reserves were caused by a lack of government funds, and by a high tax

rate on mining activities that discouraged private investment.

But the Venezuelan Congress recently decided to reduce tax levied on mining companies' operating profits from 60 to 30 per cent, a move that should promote new investment in coal and other mining sectors.

Carbozulia has operated an open pit mine at the Paso Diablo sector of the Guasare fields since 1987, working in partnership with Agip Coal of Italy and Arco Coal of the US. It also has identified three other mine sites at Guasare - Socuy, Mina Noble and Cachiri - that

Governments have talked about exploiting the substantial coal reserves for nearly 20 years but have been stalled by lack of funds and a high tax

it plans to develop with foreign companies.

Mr Urdaneta said that his company's goal is to produce more than 11.5m tpa of coal at three or four sites in the Guasare fields by 1996. This stage alone will require investments of around \$1.8bn, to be shared by Carbozulia and international partners in joint ventures.

Under current plans, output at Paso Diablo would rise to 6.5m tpa by 1996, and production would begin at three other

sites on a staggered basis, reaching around 5m tpa the same year.

All current production from Guasare - about 1.5m tpa since 1989 - is exported, and Carbozulia plans to export any future output from the Guasare fields. Last year, 87 per cent of Guasare's exports went to Europe, while the remainder was shipped to the US and the Caribbean.

Carbozulia and Agip Coal (a subsidiary of Ente Nazionale Idrocarburi) operate the Paso Diablo mine, the first mine opened in the Guasare region, under a joint venture called Carbones del Guasare. The two partners plan to raise production at Paso Diablo to 2.5m tonnes this year, and progressively increase output to 6.5m tpa by 1996 and 10m tpa by 1998. (Arco Coal was a partner in the venture with Agip and Carbozulia, but pulled out earlier this year.) Investments in Paso Diablo last year exceeded \$30m.

Paso Diablo is an open pit mine, and coal currently is moved to a loading station on Lake Maracaibo via heavy trucks. Barges then load the coal on to bulk carriers anchored in the lake for export.

In order to produce more than 3.5m-4m tpa, the Paso Diablo partners (and other investors) will have to build a 70-80 km railway and a port on the lake.

The railway-port project alone is expected to cost around \$1bn, and Carbozulia

hopes to work out a scheme under which it and other mine operators will share these investment costs.

Carbozulia is making progress towards expanding the country's coal output. PDVSA has earmarked part of its future export revenues to help finance Carbozulia projects, and the coal subsidiary has located international partners interested in sharing capital costs.

Carbozulia is working with four international companies and a Venezuelan concern to develop two new mines in Guasare. Shell and Veba Oel are studying the feasibility of setting up a joint venture with the Venezuelans to exploit the Socuy sector. Investment for exploration and other items this year at the Socuy mine is projected at \$3.5m.

Carbozulia plans to start production at Socuy in 1995 (at 500,000 tpa) and reach 4.5m tonnes by 1998. To develop this mine, investments of \$650m will be required.

Carbozulia recently signed an agreement with A.T. Massey and a Venezuelan-Japanese group covering a 30-month exploration programme for another Guasare site, called Mina Norte. The partners, who include Mitsubishi, plan to spend some \$3m carrying out test drills at Mina Norte.

One sign of Mr Sosa's confidence in the oil industry executives and other employees by maintaining professionalism at all levels, continuing and expanding existing development plans, and working hard to defend the interests of the national oil company in Venezuela's contentious political arena.

One sign of Mr Sosa's acceptance is the fact that there has been no exodus of executive talent at the company. The PDVSA president rejects any political interference that might damage the company's efficiency, and believes that Venezuela is best served by a well-managed, profitable

Profile: ANDRES SOSA PIETRI

Outsider with an inside track

WHEN Venezuela's president early last year named Andres Sosa Pietri to head the country's most important company, Petroleos de Venezuela, S.A. (PDVSA), the appointment provoked an outburst of criticism.

No one doubted Mr Sosa's intelligence, experience or success as an independent businessman, but the appointment of an "outsider" to the oil industry's top post was viewed by many (especially among the ranks of life-long oil executives) as a break with recent tradition, and as a blow to the morale of career oilmen who aspire to sit in the chief execu-

A clash of wills with the Energy Minister and a threat of resignation lead to better coordination

tive's office. After over a year as president of PDVSA, one of the world's largest petroleum companies (gross international revenues were \$23bn last year), Mr Sosa has shown himself to be a first-class executive and an excellent choice for this sensitive post.

The 48-year-old Caracas native was able to win the confidence of oil industry executives and other employees by maintaining professionalism at all levels, continuing and expanding existing development plans, and working hard to defend the interests of the national oil company in Venezuela's contentious political arena.

One sign of Mr Sosa's acceptance is the fact that there has been no exodus of executive talent at the company.

The PDVSA president rejects any political interference that might damage the company's efficiency, and believes that Venezuela is best served by a well-managed, profitable

national oil concern. This view is not always easy to defend in a country where most state-run enterprises are ill-managed, overstuffed and in the red.

Mr Sosa took over an efficient and profitable company at a time when it was initiating its highest ever development programme, a \$48bn plan to expand PDVSA's presence in world energy markets.

An important part of his job is to ensure that this complicated plan - encompassing exploration and production of oil and natural gas, refining, transportation, domestic and international marketing, petrochemicals, coal and joint ventures with international investors - moves ahead satisfactorily, and does not get bogged down in excessive bureaucracy.

Unlike his predecessors, Mr Sosa frequently has been outspoken and critical about domestic and international petroleum issues, annoying some politicians with his comments on Opec, the excessively high tax rate levied on PDVSA (over 80 per cent), and "political" prices for domestic petrol that cause the company to lose hundreds of millions of dollars a year.

Trained as an attorney at the Universidad Catolica Andres Bello (Caracas) and at Harvard, Mr Sosa worked for several years as a legal consultant in Venezuela's petrochemical sector, and later founded and ran a group of companies that manufacture valves and other specialised products for the petroleum industry.

A fluent English speaker, he spent a brief period in politics during the 1970s, serving as an independent senator representing Venezuela's socialist party, MAS.

This experience, unusual among Venezuelan oil executives, has helped him to protect PDVSA's interests among

politicians, as happened last month during a potentially damaging confrontation with Mr Celestino Armas, the Minister of Energy and Mines.

During the clash, over an attempt by Mr Armas to restrict PDVSA's autonomy in a number of key areas of policy and appointments, Mr Sosa offered his resignation to President Perez, who refused to accept it.

The clash ended in a compromise whereby PDVSA agreed to consult more closely with the Energy Minister.

Joseph Mann

Sosa: presidential appointee

KEY FACTS

Area	912,045 sq km
Population	19.5 million (1990 census)
Head of State	President Carlos Andrés Pérez
Currency	Bolivar (Bs)
Average exchange rate	1989 \$1 = Bs34.66 1990 \$1 = Bs46.90

ECONOMY

	1988	1989
Total GDP (\$bn)	43.1	47.7
Real GDP growth (%)	-8.3	4.4
GDP per capita (\$)	2,240	2,446
Components of GDP (%)		
Private consumption	65.2	60.7
Gross fixed investment	17.2	13.5
Stockbuilding	-4.2	-3.8
Government consumption	9.4	8.9
Exports	33.8	40.4
Imports	-21.4	-19.9
Consumer prices (% change pa)	81.0	38.0
Unemployment (% of lab force)	9.8	10.5
Oil production (000 b/d)	2,010	2,365
share of world total (%)	3.1	3.6
Reserves minus gold (\$bn)	4.1	8.3
Narrow money growth (% pa)	18.0	58.4
Broad money growth (% pa)	48.1	70.3
Discount rate (% pa year end)	45.0	43.0
Govt bond yield (% pa avg)	17.3	17.0
Total external debt (\$bn)	33.2	33.0
Debt service ratio (%)	41.9	27.7
Current account balance (\$bn)	2.5	7.4
Exports - total (\$bn)	13.0	17.6
- petroleum (\$bn)	9.9	14.2
Imports (\$bn)	7.1	6.8
Trade balance (\$bn)	5.9	10.8

Main trade partners (1989, % by value)	Exports	Imports
US	50.5	44.3
West Germany	4.3	7.9
Japan	4.0	4.1

Sources: IMF, Economist Intelligence Unit, BP, Central Bank of Venezuela.



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US\$ 127,389,294

(Net Conversion Amount)

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a joint venture between the Investors named below and

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(a wholly-owned subsidiary of Petróleos de Venezuela, S.A.)

Investors:

Citibank, N.A., through its subsidiary International Equity Investments, Inc.

Dresdner Bank Luxembourg S.A.

Swiss Bank Corporation

Continental Bank, through its subsidiary PDE, Inc.

The undersigned arranged and syndicated the transaction

June 1991

CITIBANK



This announcement appears as a matter of record only

US\$ 114,152,367

(Net Conversion Amount)

Debt-to-Equity Conversion of Venezuelan Restructured Debt under the Mega-Projects Program into preferred shares issued by:

Cloro Vinilos del Zulia, Clorozulia, S.A.

a joint venture between the Investors named below and

Petroquímica de Venezuela, S.A.

(a wholly-owned subsidiary of Petróleos de Venezuela, S.A.)

Investors:

Citibank, N.A., through its subsidiary International Equity Investments, Inc.

Deutsch-Südamerikanische Bank AG, a member of the Dresdner Bank Group

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June 1991

CITIBANK

Oil majors join the gas rush, writes Gary Mead

Stability pays off

BESIDES its enormous oil reserves, Venezuela has proven reserves of natural gas which are the ninth largest in the world.

According to PDVSA's annual report for 1990, Venezuela has some 6 trillion cubic metres (tcm) of which 3,429 tcm are proven.

The PDVSA is expected to invest \$16.2bn in crude oil and gas production over the next five years.

In 1988, total world reserves of natural gas were estimated at more than 107tcm. World production of natural gas currently stands at roughly 2tcm a year. Latin America produces 90bn cubic metres annually, of which Venezuela's share is 38bn.

One of PDVSA's more ambitious projects is its \$3bn joint venture with Royal Dutch Shell (UK), Exxon (US) and Mitsubishi (Japan) to produce and export natural gas.

It is the first time international oil companies have been involved as partners in an oil or gas project with Venezuela since it nationalised all its foreign oil operations in 1976.

Lagoven, an operating subsidiary of PDVSA, will be the Venezuelan partner in the deal, with 32 per cent of the equity; Shell will have 31 per cent, Exxon 29 per cent and Mitsubishi 8 per cent.

Exxon and Shell's activities in Venezuela were among the most important of the new joint venture plan is thus a significant indication of renewed political as well as economic confidence in the stability of the current reform programme.

The new joint venture, known as the Cristóbal Colon (Christopher Columbus) project, will develop previously unexploited underwater gas reserves off the north-east coast of Venezuela. A 50km pipeline is to be built, along with a gas liquefaction plant, which will enable liquefied natural gas (LNG) to be exported from 1996. Construction work is due to start next year.

Some 4.4m tonnes a year, worth an estimated \$500m at current prices, are expected to be exported to the US from the new fields. As part of the project, some 55 offshore development wells are to be drilled and eight platforms erected.

PDVSA is currently producing 111m cm of natural gas daily, virtually all of which is associated gas tapped during oil production.

Some 8 per cent is used in PDVSA operations; 36m cm are re-injected back into fields (to maintain pressure in fields which in many cases are 40 or 50 years old); but 68m cm are used by the petrochemical sector, the domestic and local industrial markets and related

petroleum industry operations. As part of the development of this sector PDVSA plans to add compression plants with a total of 765,000 hbp capacity to handle 131m cm daily of gas. It also intends constructing seven new plants for processing gas liquids and laying 1,022km of trunk gas pipelines before 1996. A new 400km propane pipeline is due to connect

As part of the Cristóbal Colon venture, 55 offshore wells will be drilled and eight production platforms and a 50 km pipeline built

the eastern city of Jose with the central city of Valencia.

Extraction of gas liquids now runs at 117,000 barrels per day (b/d), and is set to rise to 230,000 b/d by 1996. Some 23,400 b/d are exported, 39,000 b/d are used locally and the remainder is processed in PDVSA refineries.

A further large-scale gas project involves both Venezuela and Colombia: 1993 is the target date by which the first natural gas pipeline linking

the two countries is due to be completed. The 510km line, with an estimated cost of \$500m, will supply Colombia with between 60m-200m cubic feet per day, depending on how much Colombia's own gas fields manage to supply. Construction of the pipeline is expected to start early 1992.

Venezuela's energy needs are calculated by PDVSA to grow to the oil equivalent of 1.02bn b/d per day by 1995; natural gas will supply 3 per cent of that requirement, consumption of gas growing from 32m cm in 1989 to 55m cubic metres daily by 1995. Demand for LNG is anticipated to grow from 1989's level of 40,000 b/d to 125,000 b/d in 1995.

While PDVSA believes that Venezuela's reserves are ample to satisfy such growth, it is using all its political leverage to ensure a wide-ranging investment programme gets full government backing. PDVSA plans to invest particularly in production and transportation facilities, aiming to provide Venezuelan industry with more gas as a substitute for liquid fuels and to meet increasing demand for ethane and propane as a result of expansion in petrochemical capacity.

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AMERICANS

1991	Low	High	Stock	Price	%	Div	Yield
100	100	100	Alcoa	100	100	100	100
101	101	101	Alcoa	101	101	101	101
102	102	102	Alcoa	102	102	102	102
103	103	103	Alcoa	103	103	103	103
104	104	104	Alcoa	104	104	104	104
105	105	105	Alcoa	105	105	105	105
106	106	106	Alcoa	106	106	106	106
107	107	107	Alcoa	107	107	107	107
108	108	108	Alcoa	108	108	108	108
109	109	109	Alcoa	109	109	109	109
110	110	110	Alcoa	110	110	110	110

BUILDING, TIMBER, ROADS

1991	Low	High	Stock	Price	%	Div	Yield
111	111	111	Alcoa	111	111	111	111
112	112	112	Alcoa	112	112	112	112
113	113	113	Alcoa	113	113	113	113
114	114	114	Alcoa	114	114	114	114
115	115	115	Alcoa	115	115	115	115
116	116	116	Alcoa	116	116	116	116
117	117	117	Alcoa	117	117	117	117
118	118	118	Alcoa	118	118	118	118
119	119	119	Alcoa	119	119	119	119
120	120	120	Alcoa	120	120	120	120

DRAPERY AND STORES—Contd

1991	Low	High	Stock	Price	%	Div	Yield
121	121	121	Alcoa	121	121	121	121
122	122	122	Alcoa	122	122	122	122
123	123	123	Alcoa	123	123	123	123
124	124	124	Alcoa	124	124	124	124
125	125	125	Alcoa	125	125	125	125
126	126	126	Alcoa	126	126	126	126
127	127	127	Alcoa	127	127	127	127
128	128	128	Alcoa	128	128	128	128
129	129	129	Alcoa	129	129	129	129
130	130	130	Alcoa	130	130	130	130

ENGINEERING

1991	Low	High	Stock	Price	%	Div	Yield
131	131	131	Alcoa	131	131	131	131
132	132	132	Alcoa	132	132	132	132
133	133	133	Alcoa	133	133	133	133
134	134	134	Alcoa	134	134	134	134
135	135	135	Alcoa	135	135	135	135
136	136	136	Alcoa	136	136	136	136
137	137	137	Alcoa	137	137	137	137
138	138	138	Alcoa	138	138	138	138
139	139	139	Alcoa	139	139	139	139
140	140	140	Alcoa	140	140	140	140

INDUSTRIALS (Misc.)—Contd

1991	Low	High	Stock	Price	%	Div	Yield
141	141	141	Alcoa	141	141	141	141
142	142	142	Alcoa	142	142	142	142
143	143	143	Alcoa	143	143	143	143
144	144	144	Alcoa	144	144	144	144
145	145	145	Alcoa	145	145	145	145
146	146	146	Alcoa	146	146	146	146
147	147	147	Alcoa	147	147	147	147
148	148	148	Alcoa	148	148	148	148
149	149	149	Alcoa	149	149	149	149
150	150	150	Alcoa	150	150	150	150

INDUSTRIALS (Misc.)—Contd

1991	Low	High	Stock	Price	%	Div	Yield
151	151	151	Alcoa	151	151	151	151
152	152	152	Alcoa	152	152	152	152
153	153	153	Alcoa	153	153	153	153
154	154	154	Alcoa	154	154	154	154
155	155	155	Alcoa	155	155	155	155
156	156	156	Alcoa	156	156	156	156
157	157	157	Alcoa	157	157	157	157
158	158	158	Alcoa	158	158	158	158
159	159	159	Alcoa	159	159	159	159
160	160	160	Alcoa	160	160	160	160

CANADIANS

1991	Low	High	Stock	Price	%	Div	Yield
161	161	161	Alcoa	161	161	161	161
162	162	162	Alcoa	162	162	162	162
163	163	163	Alcoa	163	163	163	163
164	164	164	Alcoa	164	164	164	164
165	165	165	Alcoa	165	165	165	165
166	166	166	Alcoa	166	166	166	166
167	167	167	Alcoa	167	167	167	167
168	168	168	Alcoa	168	168	168	168
169	169	169	Alcoa	169	169	169	169
170	170	170	Alcoa	170	170	170	170

BANKS, HP & LEASING

1991	Low	High	Stock	Price	%	Div	Yield
171	171	171	Alcoa	171	171	171	171
172	172	172	Alcoa	172	172	172	172
173	173	173	Alcoa	173	173	173	173
174	174	174	Alcoa	174	174	174	174
175	175	175	Alcoa	175	175	175	175
176	176	176	Alcoa	176	176	176	176
177	177	177	Alcoa	177	177	177	177
178	178	178	Alcoa	178	178	178	178
179	179	179	Alcoa	179	179	179	179
180	180	180	Alcoa	180	180	180	180

CHEMICALS, PLASTICS

1991	Low	High	Stock	Price	%	Div	Yield
181	181	181	Alcoa	181	181	181	181
182	182	182	Alcoa	182	182	182	182
183	183	183	Alcoa	183	183	183	183
184	184	184	Alcoa	184	184	184	184
185	185	185	Alcoa	185	185	185	185
186	186	186	Alcoa	186	186	186	186
187	187	187	Alcoa	187	187	187	187
188	188	188	Alcoa	188	188	188	188
189	189	189	Alcoa	189	189	189	189
190	190	190	Alcoa	190	190	190	190

FOOD, GROCERIES, ETC

1991	Low	High	Stock	Price	%	Div	Yield
191	191	191	Alcoa	191	191	191	191
192	192	192	Alcoa	192	192	192	192
193	193	193	Alcoa	193	193	193	193
194	194	194	Alcoa	194	194	194	194
195	195	195	Alcoa	195	195	195	195
196	196	196	Alcoa	196	196	196	196
197	197	197	Alcoa	197	197	197	197
198	198	198	Alcoa	198	198	198	198
199	199	199	Alcoa	199	199	199	199
200	200	200	Alcoa	200	200	200	200

DRAPERY AND STORES

1991	Low	High	Stock	Price	%	Div	Yield
201	201	201	Alcoa	201	201	201	201
202	202	202	Alcoa	202	202	202	202
203	203	203	Alcoa	203	203	203	203
204	204	204	Alcoa	204	204	204	204
205	205	205	Alcoa	205	205	205	205
206	206	206	Alcoa	206	206	206	206
207	207	207	Alcoa	207	207	207	207
208	208	208	Alcoa	208	208	208	208
209	209	209	Alcoa	209	209	209	209
210	210	210	Alcoa	210	210	210	210

BEERS, WINES & SPIRITS

1991	Low	High	Stock	Price	%	Div	Yield
211	211	211	Alcoa	211	211	211	211
212	212	212	Alcoa	212	212	212	212
213	213	213	Alcoa	213	213	213	213
214	214	214	Alcoa	214	214	214	214
215	215	215	Alcoa	215	215	215	215
216	216	216	Alcoa	216	216	216	216
217	217	217	Alcoa	217	217	217	217
218	218	218	Alcoa	218	218	218	218
219	219	219	Alcoa	219	219	219	219
220	220	220	Alcoa	220	220	220	220

BUILDING, TIMBER, ROADS

1991	Low	High	Stock	Price	%	Div	Yield
221	221	221	Alcoa	221	221	221	221
222	222	222	Alcoa	222	222	222	222
223	223	223	Alcoa	223	223	223	223
224	224	224	Alcoa	224	224	224	224
225	225	225	Alcoa	225	225	225	225
226	226	226	Alcoa	226	226	226	226
227	227	227	Alcoa	227	227	227	227
228	228	228	Alcoa	228	228	228	228
229	229	229	Alcoa	229	229	229	229
230	230	230	Alcoa	230	230	230	230

ELECTRICITY

1991	Low	High	Stock	Price	%	Div	Yield
231	231	231	Alcoa	231	231	231	231
232	232	232	Alcoa	232	232	232	232
233	233	233	Alcoa	233	233	233	233
234	234	234	Alcoa	234	234	234	234
235	235	235	Alcoa	235	235	235	235
236	236	236	Alcoa	236	236	236	236
237	237	237	Alcoa	237	237	237	237
238	238	238	Alcoa	238	238	238	238
239	239	239	Alcoa	239	239	239	239
240	240	240	Alcoa	240	240	240	240

HOTELS AND CATERERS

241	241	241	Alcoa	241	241	241	241
242	242	242	Alcoa	242	242	242	242
243	243	243	Alcoa	243	243	243	243
244	244	244	Alcoa	244	244	244	244
245	245	245	Alcoa	245	245	245	245
246	246	246	Alcoa	246	246	246	246
247	247	247	Alcoa	247	247	247	247
248	248	248	Alcoa	248	248	248	248
249	249	249	Alcoa	249	249	249	249
250	250	250	Alcoa	250	250	250	250
251	251	251	Alcoa	251	251	251	251
252	252	252	Alcoa	252	252	252	252
253	253	253	Alcoa	253	253	253	253
254	254	254	Alcoa	254	254	254	254
255	255	255	Alcoa	255	255	255	255
256	256	256	Alcoa	256	256	256	256
257	257	257	Alcoa	257	257	257	257
258	258	258	Alcoa	258	258	258	258
259	259	259	Alcoa	259	259	259	259
260	260	260	Alcoa	260	260	260	260
261	261	261	Alcoa	261	261	261	261
262	262	262	Alcoa	262	262	262	262
263	263	263	Alcoa	263	263	263	263
264	264	264	Alcoa	264	264	264	264
265	265	265	Alcoa	265	265	265	265
266	266	266	Alcoa	266	266	266	266
267	267	267	Alcoa	267	267	267	267
268	268	268	Alcoa	268	268	268	268
269	269	269	Alcoa	269	269	269	269
270	270	270	Alcoa	270	270	270	270
271	271	271	Alcoa	271	271	271	271
272	272	272	Alcoa	272	272	272	272
273	273	273	Alcoa	273	273	273	273
274	274	274	Alcoa	274	274	274	274
275	275	275	Alcoa	275	275	275	275
276	276	276	Alcoa	276	276	276	276
277	277	277	Alcoa	277	277	277	277
278	278	278	Alcoa	278	278	278	278
279	279	279	Alcoa	279	279	279	279
280	280	280	Alcoa	280	280	280	280
281	281	281	Alcoa	281	281	281	281
282	282	282	Alcoa	282	282	282	282
283	283	283	Alcoa	283	283	283	283
284	284	284	Alcoa	284	284	284	284
285	285	285	Alcoa	285	285	285	285
286	286	286	Alcoa	286	286	286	286
287	287	287	Alcoa	287	287	287	287
288	288	288	Alcoa	288	288	288	288
289	289	289	Alcoa	289	289	289	289
290	290	290	Alcoa	290	290	290	290
291	291	291	Alcoa	291	291	291	291
292	292	292	Alcoa	292	292	292	292
293	293	293	Alcoa	293	293	293	293
294	294	294	Alcoa	294	294	294	294
295	295	295	Alcoa	295	295	295	295
296	296	296	Alcoa	296	296	296	296
297	297	297	Alcoa	297	297	297	297
298	298	298	Alcoa	298	298	298	298
299	299	299	Alcoa	299	299	299	299
300	300	300	Alcoa	300	300	300	300

MINES – Contd

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Continued on next page

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AMERICA

Equities reach equilibrium after bad economic news

Wall Street

SHARE PRICES stood still yesterday morning after the stock market shrugged off some unexpected bad news on the economy, writes Patrick Horvath in New York.

By 1 pm the Dow Jones Industrial Average was up 0.67 at 3,021.69. The more broadly based Standard & Poor's 500 was slightly lower at mid-session, down 0.39 at 386.49, and the Nasdaq composite of over-the-counter stocks eased 2.33 to 325.49. Turnover on the New York Stock Exchange was 91m shares, with declines outpacing rises by 749 to 662.

The morning surprise came in the form of a 36,000 rise in weekly initial jobless claims - more than double analysts' estimates - and a revision of the second quarter gross national product estimates to show a decline of 0.5 per cent, instead of the originally calculated fall of 0.1 per cent.

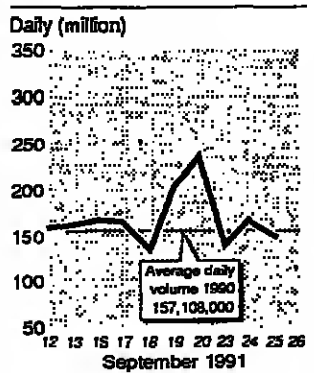
The GNP figure suggested that the economy was in a deeper trough between April and June than previously thought, which implies that the recovery since then will have proved more difficult to achieve than envisaged. Similarly, the jobs data showed that labour conditions in the US remain poor.

Among individual stocks, Union Carbide fell 3/4 to 32 1/2 in active trading as investors responded to the news that the

company is planning to reduce its staffing numbers by 14.5 per cent and will make a pre-tax charge against earnings of more than \$100m in the third quarter.

Pyramid Technology dropped 3/4 to \$15 1/4 in shares and AT&T eased 3/4 to \$37 1/4 after a federal govern-

NYSE volume



ment panel overturned the award of a \$1.4bn seven-year office automation contract by the Treasury department to the two companies. The decision was taken after rival bidders IBM and Lockheed, protested. AT&T and Pyramid could still win the contract if the Treasury could justify its decision, based on the relative price and performance merits of the different bidders.

Scimed Life Systems plunged 32 1/4 to \$57 1/4 in 4 1/2m shares

after the company, which announced a 50 per cent rise in fiscal second quarter net income to 78 cents a share, warned that it might have to withdraw a line of its cashiers because of patent challenges.

McDonald's rose 3/4 to \$35 1/4 in volume of 1.5m shares after the fast-food retailer said that it expected third quarter sales and earnings to top those recorded a year ago.

Mercury Air Group climbed 3/4 to \$4 on the American Stock Exchange on the news that the company has been in talks with several entities about a possible acquisition or merger of Mercury.

Canada

TORONTO STOCKS drifted lower in light trade by midday, with players content to hold their positions until the beginning of the fourth quarter.

The composite index fell 5.5 to 3,383.6. Declining issues led advances 218 to 151 on volume of 11m shares worth C\$108m. Seagram rose C\$1 1/4 to C\$122 1/4, recovering slightly from a recent downturn which has seen the stock fall from C\$134. Canadian Tire class A shares dropped C\$2 to C\$21 1/4 in volume of 137,000 shares, amid persistent rumours that Wal-Mart is planning to expand to Canada. One analyst said that Canadian Tire was also beginning to reflect the value of other merchandising companies.

Bombay's record rally runs into trouble

R.C. Murthy explains the dichotomy between recent performance and fundamentals

THE BOMBAY stock market, which sets the pace for other Indian markets, confounded analysts with its extended gains until the middle of this month. Now they are arguing about whether it is seeing a technical correction, after an unprecedented bull phase over more than eight months, or whether a sheaf of adverse factors is finally attracting attention.

The BSE index attained a record high of 1,912.35 on September 16, having doubled in less than eight months. Since then it has hit trouble, and yesterday's 31.60 fall to 1,766.92 left it 6.6 per cent off the top. Brokers blamed liquidations on the last day of a three-week account, and said widespread buying by state-owned investment houses had failed to bolster the market.

Negative elements that the investment houses seem to have been ignoring include double-digit inflation, which threatens to wipe out the advantages of July's 18 per

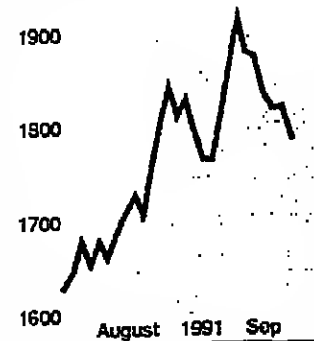
cent devaluation of the rupee against the dollar, and high interest rates. The Reserve Bank of India, the central bank, has lifted interest rates on corporate loans to a record 17 to 18 per cent.

Growth rates are also in question. Mr Homendra Kothari, chairman of DSP Financial Consultancy and a leading market analyst, expects growth in profits to slow this year to 20 per cent, from 25 per cent last year, and according to official forecasts, gross domestic product growth will fall to 5 per cent this year from 5 per cent in 1990.

In July, the new government at New Delhi, led by Mr P.V. Narasimha Rao, unveiled a package of economic and trade reforms, followed by a deal with the International Monetary Fund for a \$837m soft loan, another \$2.2bn standby arrangement is under negotiation. But the World Bank, in its annual report published on Monday, warns: "The fluidity of the current political situa-

India

Bombay 30 share index



tion makes it difficult to introduce the needed fiscal reform." Nevertheless, stock market traders believe that the long-term outlook is rosy. They rejoice that India has successfully avoided an international payments default, and that the government has pulled the economy back from the brink of disaster. This confidence doubled the BSE's market cap-

italisation to more than Rs79.4bn (\$3bn) in the eight months to mid-September, while daily turnover has trebled to Rs3bn.

Speculators have been attracted to shipping and export-oriented blue chips, such as the Birla-owned Century, which has seen its shares rise 50 per cent to Rs7,100 in three months. Great Eastern Shipping has doubled to Rs 1, and Sesa Goa, an affiliate of IRI of Italy, has trebled to Rs65.

A marginal fall in farm production is forecast for this year, but the estimate is better than expected. Traders had feared a sharp drop this year, expecting a bad monsoon following three successive years of good monsoons, but the rains this year have been satisfactory, although less than normal in some areas. There has been no drought.

The rupee convertibility promise in three years' time by the new administration is a move to free capital flows to the stock markets and enhance

liquidity. Indian companies are the second most profitable among developing countries, after Turkey but ahead of South Korea, Mexico, Thailand and Malaysia, according to a study by the Institute of Finance Corporation.

Fast forward a reaction: last October's crash. The markets plunged to levels not seen since a third following a crash on corporate tax.

Mr M.D. Phadnis, former chairman of IRI, the country's largest unit trust, says the market has moved into a new orbit. He is optimistic that the 30 share index will breach the 2,000 mark if the government keeps up the momentum of economic reforms and succeeds in bringing down inflation over the next three months. "There is at least one cloud on the horizon, however. A surge in new issues, expected late this year and early next, could drain liquidity and break the rally altogether."

ASIA PACIFIC

Bond market rise triggers index-linked buying

Tokyo

SHARE PRICES rose yesterday on index-linked buying late in the afternoon, encouraged by the sharp rally in the bond market, writes Shingo Terazono in Tokyo.

The Nikkei average gained 300.66 at 23,968.08, after reaching a day's low of 23,536.58 in the morning and a high of 23,978.73 just before the close.

Volume rose to 500m shares from 400m as foreigners and institutional investors such as investment trusts, traded actively. Gains led losses by 701 to 315, while 123 issues remained unchanged. The Topix index of all first section stocks added 17.94 at 1,830.79, and in London trading the ISE/Nikkei 50 index put on 3.74 to 1,403.42.

The fall in bond yields renewed hopes of an imminent interest rate cut. Ms Betty Wu at SBC said sentiment was positive, although fears over possible bankruptcies of smaller real estate companies still worried some investors.

Morning trading concentrated on the six stocks to be incorporated in the Nikkei 225 issue: advances from October 1. Sumitomo Heavy Industries climbed Y38 to Y787 and Kumagai Gumi rose Y60 to Y875 in active trading. On the other hand, component stocks to be replaced were heavily sold. Toho, the movie company, fell Y2,000 to Y15,090.

Interest rate-sensitive issues were once again popular on prospects of a discount rate cut. Nippon Steel added Y12 at Y424 and Kawasaki Heavy Industries gained Y33 to Y603. Cancer drug-related shares continued to be traded actively. Lion, a leading detergent maker, rallied on reports that the company had discovered a substance from palm oil that prevents cancer. The issue, however, finished Y5 down at Y860 on profit-taking. Meiji Seika, the confectioner, which has been popular on the development of a new cancer drug, fell Y60 to Y1,310, in-

SOUTH AFRICA

FURTHER GAINS by the financial rand kept up pressure on Johannesburg shares. The industrial index fell 38 to 4,048 and the all-gold index shed 20 to 1,127 in spite of steady bullion prices. The all-share index lost 35 to 3,340.

EUROPE

Banking and interest rate worries hurt Scandinavia

SCANDINAVIA was disturbed by weak bank stocks and a Finnish rate rise yesterday, writes Our Markets Staff.

STOCKHOLM reacted negatively to Nordbanken's eight-month results and its forecast of worse-than-expected credit losses for the year, announced late on Wednesday. The Affarsvarden General Index dropped 20.5 or 1.9 per cent to 1,042.8, as turnover grew to SKr525m from SKr339m.

The banking index fell 4.4 per cent. Nordbanken dropped SKr2 or 5.7 per cent to SKr33 and Cofa, the banking and financial group which is due to announce results on Tuesday, saw its A shares shed SKr10 or 11.8 per cent to SKr75.

Electrolux free Bs fell SKr11 or 3.8 per cent to SKr277, after a broker issued a sell note.

HELSINKI also fell sharply, on a rise in interest rates and economic pessimism. The Hicx index lost 15.5 or 1.8 per cent to 967.0 in turnover of FM23m. Metsa-Serla was suspended after its leading shareholder, Metsalitto, said that it was forming a group to control the majority of Metsa-Serla votes.

OSLO firmed, but banking shares were weak. The all-share index rose 4.20 to 486.08 in turnover of Nkr213m, as the bank index fell 1.86 or 3.8 per cent to 47.58.

PARIS was stuck in a narrow range, finishing slightly lower after Wall Street's weak opening. The CAC 40 index lost 1.44 to 1,878.49.

Corporate results continued to sway the market. Lyonnais dropped FF15 to FF334 in volume of 226,660 shares after Wednesday's late profits news. Paribas rose FF2.50 to FF441, but its cement subsidiary, Ciments Francais dropped FF22.40 or 7.2 per cent to FF288.60 after the parent company reported a

FT-SE Eurotrack 100 - Sep 26

Hourly changes							
Open	10 am	11 am	Noon	1 pm	2 pm	3 pm	Close
1106.54	1106.86	1106.84	1106.38	1106.37	1105.61	1103.49	1103.42
Day's High			1107.21	Day's Low			1102.48
Sep 25	Sep 24	Sep 23	Sep 20	Sep 19			
1108.34	1110.65	1111.18	1114.51	1113.95			
Base value 1000 (26/10/90).							

Base value 1000 (Jan 1987)

fall in six-month earnings.

Canal Plus dropped FF38 or 3.5 per cent to FF1,038 on reports of a broker's sell recommendation, but Club Med rose FF14 or 3.1 per cent to FF1462 after Wednesday's announcement of a joint venture with a German tour operator.

FRANKFURT flagged in a sleepy session which saw the DAX index end 5.42 lower at 1,619.99 after a 5.28 fall to 667.65 in the FAZ at mid-session. Turnover eased from DM4.5bn to DM3.4bn.

In carmakers and steels, vulnerable after IQ Metall's wage demands, recent favourites suffered most, Volkswagen falling DM3.90 to DM358.90 and Hoescht by DM6 to DM296.

Constructions continued to slide after revised estimates for industry growth. Hochtief and Mannesmann each losing DM25, to DM1,205 and DM1,220 respectively. In basic materials, Metalgesellschaft, recently downgraded by BHF Bank because of weak metal prices, dropped DM12.80 to DM456.10.

MILAN celebrated a pocket of strength in telecommunications, but this was unable to make up for corporate weakness elsewhere, and a nervous reaction to the growing dispute over Italy's budget deficit. The Comit index ended 1.92 lower at 539.38.

Sip's announcement late on Wednesday of a 54 per cent rise in profits, far better than ana-

lysts had expected, pushed up the telecom group's ordinary share price by L33.50 or 3 per cent to L1,135, and its savings shares by 6 per cent.

Stet, Sip's parent company, rose L44 or 2.3 per cent to L1,990 in sympathy. After the close, Stet's own figures showed a profits rise of only 8 per cent.

MADRID had discounted the cut in one-year Treasury bill rates, and the general index slipped 1.43 to 276.43. Turnover was moderate at about Ptas15bn, helped by active trading in utility stocks.

AMSTERDAM was kept in check by the weakness of international markets. The CBE tendency index eased 0.2 to 90.4.

Borsumij Wehrly, the trading group, rose FI210 to FI57.20 after saying that it was in talks to buy a European trading company. US demand lifted Heineken FI130 to FI153.30.

ZURICH focused on insurers after a higher profits forecast from Zurich Insurance - where the bearers rose SF30 to SF4,130 - and a fall of 22 per cent in 1990 profits at Swiss Re, whose registered shares fell SF40 to SF2,010. The Credit Suisse index fell 3.9 to 614.7.

BRUSSELS performed surgery on companies linked to Societe Generale de Belgique, primarily because of their first half results. Its chemical unit, Gechem, dropped BF50 or 8.2 per cent to BF550 as the Bel20 index lost 2.78 to 1,086.11.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	WEDNESDAY SEPTEMBER 26 1991										TUESDAY SEPTEMBER 25 1991										DOLLAR INDEX					
	Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	1991 High	1991 Low	Year ago (approx)	
Australia (89)	151.08	+0.0	129.21	127.25	132.16	126.03	+0.4	4.81	151.06	128.34	126.85	131.04	125.54	151.89	112.74	134.92	151.08	128.34	126.85	131.04	125.54	151.89	112.74	134.92		
Austria (120)	181.21	-0.7	154.98	152.83	158.51	158.31	+0.1	1.79	182.44	155.00	153.21	158.28	158.19	222.37	154.82	180.92	181.21	155.00	153.21	158.28	158.19	222.37	154.82	180.92		
Belgium (47)	127.91	-1.0	109.39	107.73	111.88	108.29	-0.2	5.42	128.14	108.72	108.44	112.02	109.56	151.20	118.04	128.82	127.91	108.72	108.44	112.02	109.56	151.20	118.04	128.82		
Canada (114)	135.43	-0.3	115.53	114.06	118.45	111.25	-0.3	3.41	135.83	115.40	114.06	117.22	115.14	142.27	128.49	135.50	135.43	115.40	114.06	117.22	115.14	142.27	128.49	135.50		
Denmark (87)	252.21	-0.9	216.88	212.61	220.79	222.89	-0.1	1.56	254.85	216.38	215.85	220.26	219.22	270.56	217.74	256.36	252.21	216.38	215.85	220.26	219.22	270.56	217.74	256.36		
Finland (16)	88.62	-2.7	75.96	74.81	77.89	76.32	-2.1	3.18	91.27	77.55	76.85	78.17	77.95	125.15	88.82	103.43	88.62	77.55	76.85	78.17	77.95	125.15	88.82	103.43		
France (109)	143.10	-1.2	122.36	120.52	125.18	128.67	-0.3	9.45	144.89	123.10	121.86	128.67	129.09	152.26	119.11	124.98	143.10	123.10	121.86	128.67	129.09	152.26	119.11	124.98		
Germany (82)	110.73	-0.1	94.70	93.28	96.85	98.85	+0.7	9.42	106.96	94.19	93.11	98.17	98.17	125.35	94.16	110.73	94.70	93.28	96.85	98.85	106.96	94.19	93.11	98.17		
Hong Kong (55)	182.07	+0.1	136.92	136.51	141.78	161.19	-0.1	4.40	182.07	137.70	136.10	140.59	161.26	169.98	119.82	131.10	182.07	136.51	141.78	161.19	140.59	161.26	169.98	119.82	131.10	
Ireland (16)	180.08	-1.1	136.91	134.84	140.03	141.82	-0.4	3.53	181.89	137.54	135.95	140.43	142.34	182.48	132.88	138.04	180.08	134.84	140.03	141.82	137.54	135.95	140.43	142.34	182.48	
Italy (77)	72.15	-1.5	61.71	60.77	63.11	67.80	-0.5	3.48	73.24	62.23	61.50	63.53	68.17	88.23	64.76	80.67	72.15	60.77	63.11	67.80	62.23	61.50	63.53	68.17	88.23	
Japan (474)	134.26	+0.6	114.63	113.19	117.46	113.01	+0.9	0.75	135.43	113.36	112.94	116.72	118.03	147.87	118.23	143.09	134.26	113.19	117.46	113.01	116.72	118.03	147.87	118.23	143.09	
Malaysia (58)	197.72	+0.4	169.10	168.53	172.94	208.08	+0.4	2.58	197.01	167.88	165.43	170.88	208.28	247.76	169.18	188.38	197.72	168.53	172.94	208.08	167.88	165.43	170.88	208.28	247.76	
Mexico (18)	1195.55	+0.1	1022.60	1007.00	1045.78	3994.54	+0.1	1.32	1194.85	1015.17	1003.39	1038.47	3892.31	1226.36	534.45	499.68	1195.55	1007.00	1045.78	3994.54	1015.17	1003.39	1038.47	3892.31	1226.36	
Netherlands (31)	138.10	-0.7	118.97	117.11	121.88	120.21	+0.2	4.48	140.07	118.00	117.82	121.50	120.12	143.73	125.70	129.29	138.10	117.11	121.88	120.21	117.82	121.50	120.12	143.73	125.70	
New Zealand (4)	100.00	-0.4	90.53	89.53	91.83	91.83	-0.4	1.00	100.00	90.53	89.53	91.83	91.83	100.00	90.53	90.00	100.00	89.53	89.53	91.83	91.83	100.00	90.53	90.00		
Norway (31)	197.64	+0.7	169.04	166.48	172.89	192.45	+0.1	1.80	198.36	165.83	164.90	170.34	174.31	223.24	175.29	186.12	197.64	166.48	172.89	192.45	165.83	164.90	170.34	174.31	223.24	
Singapore (38)	190.61	-0.6	162.02	160.55	166.73	148.67	-0.6	2.40	191.84	162.99	161.10	166.41	149.54	208.26	151.83	160.35	190.61	160.55	166.73	148.67	162.99	161.10	166.41	149.54	208.26	
South Africa (61)	248.24	-1.1	213.16	209.83	218.01	169.98	-0.8	3.25	252.06	214.15	211.88	218.64	171.38	259.85	173.00	168.32	248.24	209.83	218.01	169.98	214.15	211.88	218.64	171.38	259.85	
Spain (53)	159.54	-0.4	135.80	133.65	138.69	127.44	-0.3	4.23	159.14	135.27	132.84	138.64	127.07	171.12	131.51	128.85	159.54	133.65	138.69	127.44	135.27	132.84	138.64	127.07	171.12	
Sweden (38)	195.64	-0.8	165.53	163.02	169.30	175.83	-0.2	2.54	195.05	162.72	163.81	169.21	176.93	212.12	146.80	167.30	195.64	163.02	169.30	175.83	162.72	163.81	169.21	176.93	212.12	
Switzerland (58)	93.39	-1.5	79.87	78.65	81.70	84.82	-0.6	2.27	94.36	80.57	79.84	82.07	82.31	100.67	82.17	85.85	93.39	78.65	81.70	84.82	80.57	79.84	82.07	82.31	100.67	
United Kingdom (240)	181.06	+0.1	154.85	152.49	158.26	154.85	+0.7	4.79	180.91	153.70	151.91	156.91	153.70	187.44	155.25	148.01	181.06	152.49	158.26	154.85	153.70	151.91	156.91	153.70	187.44	
USA (926)	157.23	-0.2	134.48	132.44	137.54	157.23	-0.2	3.09	157.59	133.89	132.35	136.91	157.59	161.42	126.96	133.04	157.23	132.44	137.54	157.23	133.89	132.35	136.91	157.59	161.42	
Australia (827)	142.07	-0.4	121.51	119.67	124.28	123.44	-0.3	3.89	142.07	121.74	119.83	123.78	123.03	151.52	126.06	125.45	142.07	119.67	124.28	123.44	121.74	119.83	123.78	123.03	151.52	
Nordic (109)	186.76	-0.7	159.72	167.50	168.35	160.89	-0.1	2.02	188.07	156.78	157.93	163.18	161.70	200.81	160.81	155.55	186.76	167.50	168.35	160.89	156.78	157.93	163.18	161.70	200.81	
Europe (719)	135.87	-0.2	116.17	115.26	118.88	118.79	-0.5	2.23	137.95	117.21	115.84	118.68	117.49	145.92	117.86	124.84	135.87	115.26	118.88	118.79	116.17	115.26	118.88	118.79	145.92	
North America (640)	138.12	+0.2	132.36	131.37	136.82	154.11	-0.2	3.11	136.18	132.69	131.17	135.95	154.04	156.96	125.91	132.26	138.12	131.37	136.82	154.11	132.36	131.37	136.82	154.04	156.96	
Europe Ex UK (587)	118.89	-0.8	101.77	100.24	104.10	106.44	-0.3	3.19	119.91	101.94	100.78	104.10	105.42	129.80	103.58	118.89	100.24	104.10	106.44	101.77	100.24	104.10	105.42	129.80	103.58	
Pacific Ex Japan (244)	142.68	-0.1	120.44	120.21	124.10	125.54	+0.3	4.36	142.86	120.85	121.21	125.87	125.27	147.80	111.40	121.43	142.68	120.21	124.10	125.54	120.44	120.21	124.10	125.87	125.27	
World Ex Japan (1738)	139.89	-0.6	115.05	114.22	120.32	120.32	-0.6	3.19	140.00	115.05	114.22	120.32	120.32	147.80	111.40	121.43	139.89	114.22	120.32	120.32	115.05	114.22	120.32	120.32	147.80	
World Ex UK (202)	141.23	+0.0	120.79	116.97	123.55	123.35	-0.2	2.32	141.26	120.10	118.82	123.55	123.55	148.77	120.05	139.89	141.23	116.97	123.55	123.35	120.79	116.97	123.55	123.35	148.77	
World Ex. So. Af. (2201)	144.00	+0.0	123.16	121.30	125.57	181.42	+0.3	2.57	144.10	122.34	120.93	124.92	131.02	146.56	122.92	120.08	144.00	121.30	125.57	181.42	123.16	121.30	125.57	181.42	146.56	
World Ex Japan (1728)	151.80	-0.3	129.65	127.70	132.83	141.93	+0.0	3.44	152.08	128.20	127.71	131.93	141.95	152.83	126.89	124.80	151.80	127.70	132.83	141.93	129.65	127.70	132.83	141.93	152.83	
The World Index (2280)	144.69	+0.0	123.75	121.88	126.57	131.75	+0.3	2.58	144.71	122.95	121.52	125.93	131.37	149.01	123.26	120.25	144.69	121.88	126.57	131.75	123.75	121.88	126.57	131.75	149.01	